FOREIGN AFFAIRS

AMERICA AND THE WORLD 1986

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James Schlesinger

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Realism and Vision in Foreign Policy
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INTRODUCTION

Rarely have the fortunes of a president of the United States changed so rapidly and so dramatically as Ronald Reagan's in the closing months of 1986. As late as Labor Day the President showed continued popular support at a level surprising this late in a second term. He had finally gained congressional support for the Nicaraguan "contras"; the April air attacks on Libya remained controversial among opinion-makers, but the public was not complaining. The prospects for a second summit with Mikhail Gorbachev, the new leader of the Soviet Union, seemed promising, as did the chances for an arms control agreement.

Then the setbacks began to accumulate. Congress overrode the President's veto of a bill imposing limited sanctions against South Africa. An American journalist, Nicholas Daniloff, was detained in Moscow, and for all the Administration's disclaimers of a "trade," a Russian charged with espionage in the United States was put on a plane to the Soviet Union at the moment Daniloff was released. Before the affair could be digested by the analysts, Mr. Reagan and Mr. Gorbachev announced they would meet for a "pre-summit" summit in Reykjavik, the capital of Iceland. The surprising evolution of that meeting is analyzed in the pages that follow by James Schlesinger, cabinet secretary in previous Republican and Democratic administrations.

The off-year congressional elections on November 4 gave control of the Senate to the Democrats—and this despite Mr. Reagan's energetic personal campaigning for Republican candidates. Then the news broke in a Beirut weekly magazine that the United States had opened a clandestine but high-level dialogue with Iran and was in fact sending arms to the regime of the Ayatollah Ruhollah Khomeini.

The worst foreign policy crisis of the Reagan Administration had begun, and it was quickly compounded on November 25 when it was revealed that some of the funds paid by the Iranians for weapons had been diverted into secret Swiss bank accounts for the benefit of the contras. The Administration's credibility and competence in foreign affairs were thrown abruptly into question. The confusing sequence of events in the Iran/contra crisis is outlined in a special opening section of the annual *Foreign Affairs* chronology. The crisis is also analyzed by Philip

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Geyelin, who asks whether the episode was an aberration—a failure of the President's luck—or if it flowed from basic flaws in the Reagan Administration's conduct of policy.

For all the year-end clamor, there was and is more to American foreign policy than the Iran/contra crisis. The economic problems of the twin deficits—budgetary and trade—persist, and await the new Congress in 1987. They are the starting point for Leonard Silk's analysis of America and the world economy, in which he notes some of the ominous parallels with 1929. Nor does the Iran/contra scandal relieve the Administration from its responsibility for dealing with the bedrock issues of superpower relations: in particular Mr. Gorbachev's increasingly effective diplomatic tactics, which pose challenges for the United States, as explained by Dimitri Simes in his article on the Soviet leader's new directions in foreign policy.

As the U.S.S.R. goes through a period of change, an equally fascinating situation continues to develop in China. A leading China expert, Michel Oksenberg, examines what he calls China's "confident nationalism" in foreign policy, a policy that has broken free of the old Sino-Soviet-American triangular dimensions. Students of communism could not help but be intrigued by the fact that as 1986 ended, public demonstrations broke out in both the Soviet Union and China against the ruling powers.

No issue was more potentially explosive for the United States than the melancholy state of affairs in South Africa. The sharp turn to new repression and the failure of the moderate phase of "reform" is detailed by John de St. Jorre. As for Central America, Clifford Krauss offers the provocative thesis that the forces of the left have in fact failed, and that the Reagan Administration does not or will not recognize this. The continuing agony of international terrorism and the question of the most effective U.S. response are addressed by the former chief of counterterrorism for the Department of State, Ambassador Robert Oakley.

For this issue of America and the World we have chosen to approach the international scene somewhat differently from our previous year-end reports. Recognizing that other matters of clear importance have already been analyzed in recent issues of *Foreign Affairs*, we have not attempted here to cover the globe comprehensively. Rather, we commissioned essays on various major themes of timely concern to American policy.

The former American ambassador to Israel, Samuel Lewis,

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applies a unique experience and insight to an assessment of the era and legacy of Prime Minister Shimon Peres' term of leadership, which ended in October. And Sandra Burton, on leave from *Time* magazine on a fellowship at the Council on Foreign Relations, applies her expertise on the Philippines to a summation of the transition from Ferdinand Marcos to Corazon Aquino, and the new president's rocky path to national leadership, a process that seemed to resolve what had been one of the most vexing problems in American foreign policy.

Finally James Billington, director of the Woodrow Wilson International Center for Scholars in Washington, takes a thoughtful look at America and the world, specifically the historic clash between visions and reality that has characterized U.S. foreign policy since the end of World War II.

The year 1987 is the 40th anniversary of a major turning point in American foreign policy: the adoption of the Truman Doctrine, the Marshall Plan, and the definition by George F. Kennan, in the pages of this journal, of the strategy of containment. On the whole, American policy has been remarkably successful in achieving the objectives of General Marshall and sustaining the Western alliance over these 40 years. It may be well to keep this perspective in view as we contemplate a Washington crisis in 1987, a year that also happens to mark the 200th year of the American Constitution.

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James Schlesinger

REYKJAVIK AND REVELATIONS: A TURN OF THE TIDE?

For much of its first six years, the Reagan Administration has cruised along in its foreign policy in a manner both serene and enviable. The errors in nuclear policy that had marred our relations with Europe in President Reagan's first year were attributed to growing pains. Mistakes such as the Euro-Siberian gas pipeline controversy with the Europeans and the Administration's initial hard line toward the People's Republic of China were repaired with little permanent damage. Even a major blunder, our ill-starred intervention in Lebanon, was terminated quickly—and our forces extricated with such tactical skill that little permanent damage was done (save to our prestige and influence within the Middle East). Certain other actions—our support of El Salvador, our move into Grenada and our attack on Libya—however controversial at the outset, turned out to be generally successful and much of the initial criticism died away.

Meanwhile the Soviet Union was passing through a time of troubles. International dynamics in a world still significantly bipolar reflect to a large extent a kind of counterpoint between the United States and the Soviet Union. Consequently, the position and prestige of one superpower tends to vary inversely with the gains or losses of the other. At least until the accession of General Secretary Mikhail Gorbachev, the Soviet Union appeared plagued by bad luck and unable to deal with its many internal and external problems. President Reagan had had the good fortune to come into office as the Soviet Union went through three succession crises in a row. In addition to its internal drift, the U.S.S.R.'s policies were also marked by a series of blunders—from the walkouts at the INF (Intermediate-range Nuclear Forces) and START (Strategic Arms Reduction

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Talks) negotiations in Geneva, the heavy hand and threats directed against Western Europe, and the shooting down of a Korean Air Lines passenger jet. For much of the early 1980s, therefore, the Soviet Union wore the black hat in international affairs—and the United States benefited correspondingly.

Much, perhaps too much, has been made of the Soviet geopolitical offensive of the 1970s, but the Soviets did make significant gains in the Middle East and elsewhere. And, indeed, a geopolitical tide had been flowing toward the Soviets, at least since Watergate and perhaps since our earlier entanglements in Southeast Asia. Whatever its origins, throughout the 1970s American institutions had been severely challenged and the society had lost its self-confidence. One of President Reagan's greatest accomplishments was his contribution to the restoration of America's self-confidence, which resonated among America's allies, who had been troubled by the faltering United States of the 1970s.

In short, during the 1980s, the geopolitical tide that had been flowing toward the Soviet Union in the 1970s was reversed—and began to flow toward the United States.

In the sixth year of the Administration, in part reflecting the more effective stance of the Soviet Union under Gorbachev and in part reflecting simply the law of averages, the Administration's foreign policy was suddenly beset with difficulties. Even before the embarrassments of November—the revelations that our anti-terrorist policy had been undermined by secret sales of arms to Iran and that the proceeds of those sales had in part been used to fund the operations of the anti-Sandinista guerrillas in Nicaragua (in clear defiance of a congressional ban)—our foreign policy had been marred by both a sense of drift and serious blunders.

I shall here concentrate on two issues: East-West relations, particularly as affected by the Reykjavik summit; and White House mishandling of Third World security problems, particularly as revealed by the Iran/contra affair. There have been, however, additional problems, if subsidiary ones, that have further reduced the Administration's stature. The dramatic override of the President's veto of the South Africa sanctions bill indicated a misreading and a mishandling of congressional sentiment. The Administration had fallen too far out of touch with the congressional mood. The brief flap over the disinformation program directed against Libya's Muammar al-Qaddafi reduced the credibility of the Administration abroad, but also

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at home. The shooting down of an American cargo plane over Nicaragua (perhaps inevitable) with an American crew and an American survivor (certainly not inevitable) added to the Administration's vulnerability. Finally, the loss of Republican control of the Senate, particularly in light of the President's unprecedented campaigning, presaged further difficulties for the President.

The November revelations implied something far more serious than the normal lame-duck deterioration of an administration in its final years. They suggested a weakened executive—at best on the defensive, and quite possibly crippled. The fabled Reagan luck apparently had run out. The question now is quite simply: Has the tide that had flowed toward the United States in the early 1980s started to ebb?

II

The summit at Reykjavik represented simultaneously the culmination and the collapse (at least temporarily) of realistic hopes for arms control. To say that the summit was ill prepared is to indulge in classic understatement. Indeed, the entire performance at Reykjavik underscored the continuing validity of the diplomatic adage that leaders should go to summits not to negotiate, but to ratify what has already been agreed to. The President was led astray by an exaggerated faith in his powers of persuasion. There are indications that the summit's hasty design reflected the all too common domestic political priority: the quest for an arms control "success" before a midterm election. Not only was the summit ill prepared, it was quite badly executed with spur-of-the-moment proposals followed by spur-of-the-moment despair. It combined the worst aspects of earlier summits. It was as ill conceived as the Vienna summit of 1961; it had the worst outcome since the blowup of the Paris summit of 1960; and it rested upon utopian expectations not seen since the Yalta conference of 1945.

Nonetheless, the environment for a serious arms control agreement was the most favorable since the early 1970s. The auspicious environment had been created by the enhanced bargaining position of the United States, due to the Strategic Defense Initiative; by Mr. Gorbachev's strong desire to focus on improvements in the stodgy Soviet economy; and by the deep-seated Soviet wish to avoid a technological competition in arms with the Americans. At long last, the Soviet desire to avoid another turn of the screw in the arms competition seemed

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to have overcome their long-term inclination to try to extract marginal advantages in such negotiations. The Soviets were prepared to offer sharp reductions in their bloated strategic offensive forces, which represented the potential for a serious agreement, if the United States had been adequately prepared to exploit it. Yet, finally, it all turned into nothing. Reykjavik represented a near disaster from which we were fortunate to escape. It has quite likely forfeited the possibility of a major arms control agreement for the balance of the Reagan term. Perhaps the summit's only useful result is that it has changed what had been the universal European clamor for an arms control agreement into a keen European awareness that such agreements might seriously damage their security interests.

At Reykjavik the American negotiators appeared to have been little informed either on the exigencies imposed by Western deterrence strategy or on several decades of discussion and debate regarding both the possibilities and the limitations of nuclear disarmament. Nuclear weapons remain the indispensable ingredient in Western deterrence strategy. For a generation the security of the Western world has rested on nuclear deterrence. Its goal has been to deter not only nuclear attack but also massive conventional assault from the East. Failing to achieve the force goals outlined at the Lisbon conference in 1952 and the subsequent "New Look" of the Eisenhower Administration, the Western alliance came almost to embrace its conventional inferiority. Indeed, with the trip wire strategy of the Eisenhower years, conventional forces were stated to exist solely to determine the proper moment for unleashing the Strategic Air Command. It was taken as axiomatic that the West could not match "the Soviet hordes." Whatever its limitations, that strategy worked as long as the nuclear threat was primarily unilateral and until the Soviets began to develop an adequate counterdeterrent.

Attitudes began to change in the 1960s with the move toward flexible response. By the mid-1970s the European allies had come to accept the importance for deterrence of a stalwart conventional capability. Perhaps that capability would not be sufficient in itself to protect Western Europe against an all-out conventional assault, but with the mutual reinforcements provided by the strategic and theater nuclear weapons (the other two legs of the NATO defense strategy), it could provide a comfortable level of deterrence. There NATO doctrine has rested for the past decade. Despite the bitter controversies

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regarding new deployments, nuclear weapons provide the glue that has held the Western alliance together. Indeed, the controversies themselves reflect an unstated acknowledgment of this critical role.

The American position at Reykjavik seems to have reflected no understanding of these simple fundamentals. Indeed, at one point in the negotiations the President had accepted Mr. Gorbachev's proposal that both sides eliminate all strategic offensive arms by 1996. Happily, the Administration has now backed away from this breathtaking proposal and insists that it represents only a long-term goal. But that impulsive, if momentary, agreement underscores the casual utopianism and indifferent preparation that marked Reykjavik.

Surely we must be more cautious in casting aside the existing structure of Western security before we are assured that an alternative truly exists. In the absence of the nuclear deterrent the Eurasian continent would be dominated by that nation with the most powerful conventional forces. The President may win plaudits from the National Conference of Catholic Bishops or from the National Committee for a Sane Nuclear Policy or even from the left wing of the British Labour Party when he holds out his vision of "a world without nuclear weapons," but it endangers Western security and seriously weakens alliance cohesion.

Secretary of State George Shultz has expressed his confidence that, given their greater economic resources, the allies can create conventional forces superior to those of the Warsaw Pact. But such a view simply ignores the psychology, the long history, and even the geography of the NATO alliance. With serious economic strains, adverse demographic trends (sharply falling birth cohorts, particularly in Germany) and no draft in the United States, will the allies do in the 1980s what they were unwilling to do in the prosperous 1960s and early 1970s? Should we risk Western security on so flimsy a hope?

Even if we attribute the aberration of negotiators consenting to the elimination of all strategic weapons to their being swept away by the enthusiasm of the moment, what are we to make of the main American proposal to eliminate all ballistic missiles by 1996? It was put forward not on the spur of the moment but after some, albeit not very deep, reflection. It appears to have originated in the Department of Defense (under some suspicion of disingenuousness, in that the Soviets could never accept it and that it would "play well in Peoria"). The proposal

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was included, in a general way, in President Reagan's July letter to Mr. Gorbachev without any suggestion of timing—more as a long-term aspiration than a concrete proposal. For that reason the Joint Chiefs of Staff did not take it very seriously. But at Reykjavik it was—without prior consultation with the Congress, the allies or the Joint Chiefs—put forward as a concrete proposal to be achieved in ten years' time. Although the President and Secretary Shultz have backed away somewhat from this proposal, it is still supported by some senior Administration officials and remains a part of our proposal in Geneva. While, happily, it lacks the quixotic heedlessness of the elimination of all strategic nuclear weapons, it raises very serious questions and has been subject to no serious analysis. Indeed, the National Security Decision Directive calling for the study of the military implications of the elimination of ballistic missiles was not circulated until several weeks after Reykjavik.

For a quarter of a century the value of the nuclear triad (bombers, intercontinental ballistic missiles and submarine-launched ballistic missiles) has been taken as axiomatic for America's military posture. Annually reiterated in the posture statements of various secretaries of defense, the value of the triad reflects not only the special features in targeting of each of the elements of the triad, but the desire to avoid putting all the principal deterrent eggs in one basket. As recently as 1983 the President, in accepting the report of the Scowcroft Commission, embraced this concept. The report pointed out that the triad would complicate any Soviet attack plan and would dissipate Soviet resources that might otherwise be concentrated against a single deterrent system: "Thus the existence of several components of our strategic forces permits each to function as a hedge against possible Soviet successes in endangering any of the others." The report went on to say, "the different components of our strategic forces would force the Soviets, if they were to contemplate an all-out attack, to make choices which would lead them to reduce significantly their effectiveness against one component in order to attack another." Space does not allow the spelling out of these technical details. Suffice it to say that at Reykjavik the Administration suddenly jettisoned 25 years of deterrence doctrine and the President's prior embrace of the Scowcroft Commission report. Without warning, without consultation with Congress or its allies, indeed without any prior analysis, the Administration proposed the abandonment of two of the three traditional legs of the triad.

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Does no one in the Administration recall the days before ballistic missiles and the deep concern regarding the vulnerabilities of our bomber force, then deployed at only 55 Strategic Air Command (SAC) bases, susceptible to surprise attack? (That concern, needless to say, deepened with the initial Soviet deployments of intercontinental ballistic missiles.) The inevitable result, then and now, is the call for an airborne alert of the bomber force to limit its vulnerability on the ground. Does anybody in the Administration recall the lengthy dispute between the Congress and President Eisenhower, as the Congress pressed additional money on the Administration for airborne alert and the President argued that all it would lead to was "worn-out bombers"? A hypothetical bomber force of the 1990s would consist of many fewer bombers than in the 1950s, probably located on an even smaller number of main bases. Can anyone doubt that the concerns of the 1950s about its vulnerability would rapidly revive?

The ability of such a bomber force to penetrate Soviet air defenses would cause similar introspection and concern. The Administration itself has steadily emphasized that the Soviets invest far more than we do in "strategic defense." Most of that vast Soviet investment is in air defense. (By contrast, the United States, having accepted that Soviet ballistic missiles have essentially a free ride, has maintained only a skeletal air defense.) In the 1990s could our bombers be assured of penetrating the hundreds of radars, thousands of interceptors (with a look-down, shoot-down capability), and tens of thousands of surface-to-air missiles that will then constitute Soviet air defenses? Moreover, the Soviet air defenses would likely be even more formidable if we were to "share" our strategic defense technology with the Soviets, as the President has promised. How assured would we feel under those conditions?

For more than 20 years we have been confident that submarine-launched ballistic missiles (SLBMs) were invulnerable. At Reykjavik we proposed to dispose of this leg of the triad. Do we really want to rid ourselves of what we have regarded as the invulnerable part of our deterrent—and depend wholly on air-breathing vehicles? The Administration argues that submarine-launched cruise missiles could to a considerable extent maintain some degree of invulnerability, as we eliminate the SLBMs. Do we seriously want to reduce radically the range at which our submarines can operate, forgo the advantages of long range embodied in the Trident ballistic missile and force

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our submarines to operate close to the Soviet Union with all the inherent increase in vulnerability? Do we want to depend on the capacity of cruise missiles to penetrate substantially enhanced Soviet air defenses?

Under the proffered conditions, the bulk of our retaliatory force would rest on bombers, located at a small number of bases and vulnerable to surprise attack. Would we really want to depend upon a surviving force of cruise missiles going against Soviet air defenses? Surely an administration that originally came into office stressing "the window of vulnerability" for our strategic forces should appreciate that under such conditions concern about the survival of our deterrent would once again escalate.

Finally, one must consider the budgetary consequences. Bombers, with their heavy requirements for manpower and fuel, tend to be quite costly, particularly if they are required to fly often in airborne alert. As we are procuring and operating this deterrent force of the future, and simultaneously rebuilding our air defenses and creating a ballistic missile defense, what portion of a relatively fixed defense budget would be absorbed? To what extent would our conventional military capabilities unavoidably be sacrificed—at the very moment that the need for further improvements in conventional defenses is being acknowledged throughout the alliance? At a minimum, it would appear that we should await the result of the belatedly ordered analyses before we press forward with the proposal to eliminate ballistic missiles.

One of the anomalies at Reykjavik was the contrasting treatment of the nuclear deterrent and the Strategic Defense Initiative. In Western strategy the nuclear deterrent remains the ultimate and indispensable reality. Yet at Reykjavik the President was prepared to negotiate it away almost heedlessly. By contrast, the Strategic Defense Initiative was treated and continues to be treated as if it were already a reality ("the key to a world without nuclear weapons") instead of a collection of technical experiments and distant hopes. The President proposed to deploy SDI in 1996. But by 1996 only a most rudimentary defense, based upon kinetic-kill vehicles, could be deployed. None of the well-advertised exotic defenses, including lasers and particle beams, could possibly be available until well into the 21st century. Thus, the proposed early deployment of this rudimentary ballistic missile defense would occur in the same year that the possession of ballistic missiles would

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no longer be permitted. That would, of course, ease the problem of making the ballistic missile defense effective. (There is always a hypothetical ballistic missile threat sufficiently limited that it can make even a rudimentary defense effective.)

Even with the threat of ballistic missiles nominally eliminated, the President argues that an early deployment of a rudimentary strategic defense system is necessary as insurance against Soviet cheating. It would be very costly insurance indeed, and one may well wonder whether or not the resources invested in such a rudimentary defense would not be better invested in other military capabilities. However, the stakes would be high, much higher than the Administration understood at the time of Reykjavik. If we were actually to eliminate ballistic missiles and return to a retaliatory force based primarily on bombers located on a small number of SAC bases, our main retaliatory force would be extremely vulnerable. Even if the Soviets were to cheat only to the extent of hiding away a very small number of missiles, our main U.S. retaliatory force would be placed at risk.

One may be bemused by the President's preoccupation with SDI. At Reykjavik he was prepared apparently to sacrifice our entire strategic nuclear armament, but unprepared to compromise on outside-the-laboratory testing of SDI. One finds it hard to believe that preserving the freedom to test SDI is by itself of sufficient importance to determine whether to jettison or salvage the Western system of security based on nuclear deterrence. Nonetheless, we must accept the astonishing irony: it was the impasse over SDI that saved us from the embarrassment of entering into completed agreements from which subsequently we would have had to withdraw. Thus, SDI may already have made an invaluable contribution to Western security—not for the bright, if somewhat evanescent, future regularly proffered to us, but rather by preserving the elements of nuclear deterrence from our Administration's recklessness at Reykjavik. For that we must be permanently grateful to SDI—irrespective of the still uncertain outcome of the research and development effort.

To be sure, the preoccupation with SDI, plus Gorbachev's tactical blunder in failing to seize upon the President's acceptance of the notion of total strategic nuclear disarmament, saved us at Reykjavik. But one should pause and examine what might have been. For more than a decade we have sought to control the grossly inflated Soviet offensive forces, which in-

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corporate a major counterforce capability. Gorbachev offered to reduce Soviet strategic offensive forces by 50 percent. If the offer was genuine—and that could only be determined by extensive negotiations—it might have achieved the true goal of arms control: enhanced stability in the military postures of the two sides. To Gorbachev's predictable demands that the 1972 Anti-Ballistic Missile Treaty be strengthened (can we really have been surprised by his insistence on this point after all the Soviet statements of the past three years?), we should have responded by seriously addressing his legitimate concerns about the scope of SDI testing, rather than pursuing the tack of eliminating all ballistic missiles by 1996, which led the discussions down the grandiose, if futile and dangerous, road toward total nuclear disarmament.

What have been the reactions to the events at Reykjavik since the summit? Reykjavik may have been a marginal electoral success for the midterm elections, but it has been a foreign relations disaster. On the first point the Administration seems to have been quite satisfied by its mastery of the political technique it calls "spin control." White House Chief of Staff Donald Regan commented: "We took Reykjavik and turned what was really a sour situation into something that turned out pretty well." What that says quite simply is that the public relations impact on the American electorate is all-important, while the substance of arms control and foreign reaction are of negligible importance.

In Europe, however, the reaction was one of consternation, as the substance and process of the negotiations at Reykjavik became better understood. The Europeans, needless to say, were vastly disturbed to discover that such revolutionary changes in the Western security system affecting Europe could be proposed and negotiated without any prior consultation. But they were perhaps even more disturbed by the sudden realization that the American negotiators apparently proceeded at Reykjavik without the slightest understanding of the basis of the system of Western security. At a more specific, and perhaps lower, level of concern, there was exasperation at the casual proposal to eliminate the missiles placed in Europe after so much political travail. We had made the argument that missiles in Europe were essential to deterrence by linking forces in Europe to the larger American strategic deterrent. While one can argue that the Euromissile issue is more symbolic and

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psychological than military, still it is hard for us to abandon the initial rationale.

Amid considerable distress, a hasty round of conferences was held. Soon British Prime Minister Margaret Thatcher, bearing a portfolio for all the European allies, appeared at Camp David to deliver a *reclama* on Reykjavik. The outcome, which set priorities for arms control, was highly satisfactory. It was agreed that priority should be given to major reductions in intermediate-range nuclear forces and a 50-percent reduction in strategic offensive weapons, and in the context of the elimination of conventional disparities, a ban on chemical warfare and a reduction in shorter-range systems within the European theater. Perhaps most significant, the long-standing strategy of NATO was reconfirmed.

Once again, as with the earlier rhetoric of SDI replacing (immoral) deterrence, Mrs. Thatcher helped save the Americans from their own folly. The selection of priorities, while sensible, was rather belated. The normal procedure is to establish priorities *prior* to negotiation—just as the normal procedure would be to study the consequences of eliminating ballistic missiles *prior* to making such a proposal. The Administration does appear to have backed away from its breathtaking discussions at Reykjavik in a manner equally breathtaking. For that, at least, we should be grateful.

Nonetheless, the consequences of Reykjavik remain serious. Though allied governments have been eager to put as good a face as possible on the summit, beneath the surface of public support they remain deeply disturbed at both the substance and the procedure of the Reykjavik negotiations. Their confidence in American leadership has been significantly weakened. In the immediate aftermath of the summit some began to cast around for alternative methods, other than American protection, to provide for their security. Although the initial alarm has now diminished, some residue remains.

With our allies we have gotten the worst of both possible worlds. On the one hand, the confidence of West European governments in the capacity of American leadership to protect the general interests of the alliance in negotiations has been seriously damaged. On the other hand, the publics and much of the press in Europe have been excited by the promise of major arms control agreements, and particularly the elimination of the Soviet intermediate-range threat directed against Western Europe. They have been persuaded that the elimina-

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tion of the dreaded SS-20 threat would have taken place had it not been for the American obstinacy about SDI. While the Soviets will remain unsuccessful in the near term in changing attitudes of governments, they have been given a fertile field to sow in the battle for public opinion.

Perhaps even more important in the long run, the President's embrace of the goal, both utopian and dangerous, of a world without nuclear weapons will inevitably weaken support for the strategy of nuclear deterrence upon which the defense of the West continues to rest. This is particularly true in Western Europe. It has already been seized by the British Labour Party and by the Social Democratic Party in West Germany in the run-ups to their respective elections. But it is also true in the United States. Once again, as with SDI, the President has been destructive in his judgment on deterrence. He has clearly done more to weaken deterrence than did the U.S. Catholic bishops in their 1983 pastoral letter.

The full effects of Reykjavik will probably never be known, as the summit has been wholly superseded in public discussion by the issues of arms for Iran and the illegal funding of the contras. Admittedly, these latter events appear more dramatic and have a greater impact on the public mind. They do constitute a serious embarrassment for the United States and provide the potential for a major diplomatic setback. Nevertheless, their inherent weight is much less than the negotiations at Reykjavik. They cannot significantly alter the military balance or significantly weaken Western security. By contrast, Reykjavik had the potential for upsetting the military balance, for suddenly vitiating Western military strategy, and for destroying the cohesion of the Western alliance. It is a pity that the more consequential shall have been overtaken by the less consequential if more dramatic. Reykjavik was a near disaster, and we should learn from it all that we can. Perhaps the best that can be said about the summit is that it was a *near* disaster. As the Duke of Wellington remarked after Waterloo: "It was the nearest-run thing you ever saw."

III

The tangled affair that falls under the rubric of the "arms scandal" has rocked both the government and the country. There has been public confusion regarding what our policies really are and a stunning drop in the President's approval rating. It has weakened and may cripple the Administration

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far beyond the lame-duck status normally occurring at this stage in an administration. I do not intend here to attempt to disentangle the precise relationships among people and events, the contradictions and the illegalities; that is the task of the congressional review committees and the independent counsel. I shall instead attempt to examine the implications for American policy in the broadest sense and the impact upon our international position.

Whoever allowed this combination of events to proceed could not have designed his work more destructively. The combination of weapons supplied to the regime of the Ayatollah Ruhollah Khomeini (on the scale of the American public's dislikes, Iran ranks well above the Soviet Union), the ransoming of hostages (not only were arms traded, but ransom money was raised explicitly for that purpose), and the illegal diversion of funds to the contras (for whom public sentiment has varied between indifference and hostility) was put together in a package and planted in the White House complex. It was a ticking time bomb, ingeniously contrived and placed close to the President. It was only a matter of time before it detonated.

The origins lie well back in the Administration's reading, strongly touched by ideology, of recent history. The setbacks that the United States experienced in the 1970s were attributed in no way to the limits of American power, but simply to the lack of will. The solution was equally simple: American strength and American will. Be determined. Overcome all obstacles. A cult of toughness became the norm. There was a widespread failure to understand the real restraints on American power and the American public's deep-seated ambivalence about the use of force, including the disguised use of force.

In the long run, heroic posturing is as unsatisfactory a basis for foreign policy as is moral posturing. Some in the Administration seemed to view *Rambo* not just as a highly implausible adventure tale, but rather as a profound political treatise. Administration policies were shaped by ideologues who lacked familiarity with American politics and what the American people are prepared to accept. Covert operations were not just a tool, useful if somewhat distasteful. Instead they were regarded as a noble instrument, a righteous cause—of which one could be proud in public—almost a crusade. There was frustration with the restraints placed upon presidential control of foreign policy. There was resentment of the new oversight requirements that Congress had imposed upon intelligence operations.

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From its earliest days the Administration appeared willing to run roughshod over congressional prerogatives and sensibilities in these matters.

The CIA's violation of the first Boland Amendment, which precluded actions to overthrow the government in Managua, and most particularly the mining of Nicaraguan harbors, led to the second Boland Amendment, cutting off military aid to the contras. With the CIA at least ostensibly removed, responsibility for directing Central American operations came to reside in the White House. The National Security Council staff was not an "agency" under the Boland Amendment (or so it could be argued) and staff members could be protected by executive privilege. Former National Security Adviser Robert McFarlane commented, "We cannot break faith with the contras," from which one might infer that the Administration felt less constrained in breaking faith with either the Congress or the law. For several years NSC staff members, notably Lieutenant Colonel Oliver North, raised money, provided intelligence and directed operations, all to sustain the contra effort and morale.

In order to avoid congressional oversight of the Central Intelligence Agency and to evade the intent of the Boland Amendment, these secret operations were effectively placed in the White House, close to the President. A generation's admonitions to keep all covert operations as far from the President as possible were discarded. The President himself seemed happy with the situation, ready to discuss the presumably covert operations in Central America. The borderline between overt and covert, sometimes difficult to define, became wholly obliterated. Also obliterated was the distinction between the permissible and the impermissible.

The seeds of the secret shift in policy toward Iran were sown in 1984 with the kidnapping of Americans, most notably William Buckley, whose abduction aroused the CIA. To the call to extricate our hostages was added the persuasive voice of Israel and the vague longing for a longer-term relationship with Iran. The massive political victory of the President in 1984 reinforced the frequently encountered White House hubris and further weakened a sense of limits to what the President could accomplish or what he was permitted to do. White House hubris was reinforced by a set of successes from Grenada to the *Achille Lauro*.

The selling of arms to Iran started in 1985 through the

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Israelis, apparently in the belief that such transactions could remain secret. By 1986 weapons were being removed directly from service inventories for shipment to Iran. And then North and others on the NSC staff, already heady with past triumphs, truly went amok, diverting the bulk of the proceeds through a variety of secret bank accounts in Switzerland and the West Indies to the illegal support of the contra operation and perhaps to other beneficiaries, possibly including sympathetic politicians in the United States. The notion that this extensive network of operations, spanning at least 11 countries, could be kept secret reflected a touching, if naïve, faith in clandestinity.

The consequences hardly need to be spelled out. The nation is in an uproar. The Administration is in disarray. Its energies will be directed in large degree, at least until October 1987 (when the Senate says it will finish its investigation), toward attempting to control the damage. It has lost control over the national agenda. Public confidence in the President has been seriously eroded. The question remains whether the Administration can partially recover or whether it will be permanently crippled.

It should be noted that the principal damage in the public's view resulted from the shipment of arms to the despised ayatollah and the trading of those arms for the hostages. For the American public, this has counted far more than the "illegalities" associated with the diversion of public resources. Why?

America remains a nation with a strong idealistic bent. It does not believe that it is right to profess one policy, to press one's allies and others to follow that policy, and then in secret to do the reverse. The President, upon coming into office, asserted that terrorists should recognize that "retribution would be swift and effective." Countless voices have asserted that we will "never negotiate with terrorists." The public was urged to believe that this indeed was our policy. And here we suddenly are dealing with the hated ayatollah—with an Iran branded by the President as the principal example of those "outlaw states . . . run by the strangest collection of misfits, looney tunes and squalid criminals since the advent of the Third Reich."[1] Worse than that, here we are paying ransom,

[1] Address to the Annual Convention of the American Bar Association, July 8, 1985. The address was given a week or so before the President gave oral approval to the sale of arms through the Israelis. Apparently the President's speechwriters were not apprised of the prospective shift in policy.

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arms for hostages—something that we proclaimed we would never do and have urged all others to refrain from doing. The public's shock was unavoidable. The diversion of funds appears far less reprehensible to the public.

A president must be true to his image. He is allowed a great deal of running room so long as he does not break an implicit social contract with the public: that he is a man who will not violate the public's deepest convictions, which he has come to personify. President Carter, rated high among presidents for his honesty, was sharply rebuked for his few fibs, which in sum were a fraction of those tolerated in other presidents. Why? Because the conviction that he conveyed to the public in 1976 was that he would restore goodness in Washington and never lie to the American people. Similarly, no one would ever expect President Reagan to be sending weapons to the ayatollah in exchange for hostages, or that his staff would be raising ransom money while the Administration proclaimed the need to stand up to terrorists. President Reagan was elected to be strong—to stand up to the nation's enemies. Trafficking with terrorists was not his image. It was not precisely Standing Tall.

The irony is that the President had both betrayed and been felled by that cantankerous American patriotism he had done so much to foster and had come to exemplify. The Republican governor of South Dakota, William Janklow, expressed it simply: "There are not five people out there who want to send arms to Iran. The only way we want to give them arms is dropping them from the bay of a B-1 bomber." Perhaps it was best put by a Chicago lawyer and Reagan appointee: "It's like suddenly learning that John Wayne had secretly been selling liquor and firearms to the Indians."

Much, far too much, has been made by the President's defenders of Roosevelt's trading overage destroyers to the British in 1940. It is a misleading parallel. This nation has moved beyond the Wilsonian notion of open covenants, openly arrived at. It accepts, although it is not happy with, the reality of secret diplomacy. But secret diplomacy in this country must be an extension of and in spirit with its open diplomacy. It cannot be the reverse of what we say publicly, especially (as in the Iranian case) when the secret action is in all-out opposition to what the American people want. Illegalities, which may excite the lawyers, although secondary in terms of public response, certainly do not help. All these marked the Iran/contra affair. The public outcry was scarcely surprising.

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By contrast, none of this applies to Roosevelt's trading of overage destroyers to the British. Roosevelt had made no secret that he wanted the British to survive (and win!). His announced policy had been: all aid to the Allies, short of war. Nor had he made much of a secret of his loathing for Hitler's Germany. That had been clear since his "Quarantine the Aggressor" speech in 1937. Moreover, his foreign policy goal was one approved by the American people. The nation certainly preferred the Allies and disliked the Axis; it just did not want to become involved in the war. Finally, though no doubt of lesser importance, we got precisely what we traded for. We received bases that all admitted were valuable for the defense of the western hemisphere. That the Iranians conned us on the release of the hostages simply added insult to injury.

Finally, there is the national attitude toward clandestinity. While the country has moved well past Henry Stimson's "Gentlemen do not read each other's mail," it still remains deeply uneasy about clandestine operations, especially those originating from within the White House. Those who are fascinated by clandestinity, from the time of the White House plumbers to the time of Colonel North's operations, have failed to understand this deeply held public attitude. The public is prepared to accept clandestine activities, but only when they seem clearly required. Wholesale clandestinity brings to the surface all of the public's deep-seated ambivalence.

Adequate public support is fundamental to the carrying out of foreign policy in this society. The need for any secret diplomacy to be consistent with our open diplomacy and our publicly expressed goals is accepted by the American people, is manifest. The need to be circumspect about clandestine operations—and not to give way to the impulse of the "cowboys"—is essential for retaining public support. Those who advise any president, including Mr. Reagan, otherwise do not understand the spirit of the American democracy or the exigencies for carrying out foreign policy in this society.

IV

We must now assess the consequences of the arms scandal at home and abroad.

In the first place, the President has been dramatically weakened. His diminished credibility, with the Congress and with American elites generally, means that he will be able to provide little positive leadership in foreign policy for the balance of his

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term. His proposals will be greeted with skepticism at best. Moreover, his standing with the public can be only partially restored—and then more in terms of affection than high regard for his leadership. One of the truly astounding reactions to the arms scandal was reflected in the response to one question in a recent *New York Times*/CBS poll: "Whom do you trust more to make the right decisions on foreign policy—Ronald Reagan or Congress?" The public chose Congress over the President 61 percent to 27 percent. The public may have its difficulty with the practical and constitutional questions involved, but it is a truly stunning judgment on the capability of the executive branch.

Yet the impact on foreign policy may be modest. Congress is firmly under the control of the moderates. American foreign policy thus should remain quite stable—perhaps too stable. The wilder blades of the Watergate Congress have been removed or have "matured." There will be little repetition of the bizarre attitudes and turbulent debates of the early 1970s. Nonetheless, it is equally clear that Congress is hard-pressed to provide useful new initiatives. Thus, American policy over the next two years will likely turn out to be a holding pattern.

The controversy regarding the arms scandal has acquired a momentum of its own. It will roll on, even to the point of public boredom. White House attempts to suggest that Oliver North "acted alone" or that rogue elephants at the NSC were out of control will prove ineffective. First, whatever their excesses, Poindexter and North clearly were responding to the policy vibrations within the White House. Second, to suggest that no one knew what the President's staff was doing is perhaps even less reassuring than that this activity was authorized. The "explanation" that the President's staff was out of control is a rather desperate alibi; its only utility is to obviate the charge of complicity in illegalities. After all, just who was nursing this would-be Ludendorff in the basement of the White House?

Finally, and perhaps most important: clearly it was the President who authorized the arms for Iran and the trading of arms for hostages. The rest, including the raising of ransom money and the illegal diversion and use of funds, may indeed have been extracurricular. But the propitiation of the ayatollah's regime (under the guise of working with Iranian moderates) and the willingness to ransom hostages—both in conflict with our stated policy—are acknowledged to be the President's responsibility. Those are the issues about which the public is

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concerned. For the public the diversion of funds is a rather recondite legal point. Consequently hopes for a Reagan recovery—other than as a grandfather figure—would appear modest at best.

The consequences abroad complement those within the United States. The loss in credibility of American foreign policy has been serious. It will be a long time before any American attempt to obtain backing for an anti-terrorist policy will be regarded as more than a pretense—or will elicit as much support as derision. In Europe the distress over the inept performance of the Americans at Reykjavik was reinforced by the belief that the Americans had been both weak and deceitful in selling arms to Iran and in their stance against terrorists. Unlike Reykjavik, however, these matters do not seriously undermine Western European security. Confusing, irritating, embarrassing they may be, but they scarcely impinge on Europe's vital interests. As a consequence, the initial European response—unlike that after Reykjavik—was a mixture of scorn and irritation. After all, Europeans are not above a touch of schadenfreude when the Americans are making fools of themselves—so long as it does not threaten European security.

Europe's initial anger and contempt, however, rapidly turned into deep concern as it became evident that the United States was going into a serious political crisis, different from but perhaps as severe as Watergate. It suggested that the United States might be preoccupied with internal matters for two more years and that, at best, it could provide little international leadership and at worst might be entirely diverted from its international responsibilities. So the initial smugness has given way to serious alarm. But Europeans do tend to exaggerate the impact of a political crisis in the United States on its ability to function internationally. The separation of powers is regarded by foreigners as the bane of the American political system. There is little understanding of the beneficial aspects of the separation of powers or of how Congress to a large extent can substitute for and provide stability when the executive is in crisis.

The post-Watergate experience is misleading. American foreign policy will proceed largely unaffected. There will be no innovations, but there will be no drastic changes. But the perception of American weakness and political stalemate may be as important as the reality—especially coming after Reykjavik. Loss of confidence in the United States will certainly lead

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to some loss of alliance cohesion and may lead to unwise actions by several of the European states.

The effect in the Middle East may be more far-reaching. In so volatile a region, it would seem hard to increase instability. But we may just have turned that difficult trick. The government of Israel has been embarrassed. The governments of the moderate Arab states (excepting Saudi Arabia) are angry and dismayed. The American position has been weakened throughout the Arab world, including Saudi Arabia, which was itself involved with the propitiation of Iran. Iran's and Khomeini's prestige have both been increased. (That has not helped the moderates, such as they are, within Iran.) The position of Iraq has been weakened—with all that this implies for control over Middle Eastern oil. If it has been our purpose to terminate the Iran-Iraq war, we have succeeded only in lengthening it.

Saudi Arabia has been encouraged to turn toward Teheran. Iranian influence in Riyadh has grown. The dismissal of Saudi Oil Minister Ahmed Zaki Yamani and the movement of Saudi products across the Persian Gulf to assist their hereditary enemy against their Arab brother bear witness to that. Within OPEC, Iranian influence has grown; this may be unimportant for now, but potentially highly significant in the 1990s.

As the political difficulties in the Middle East increase, we should be more aware than we are of the accelerating dependence of the United States on the oil fields of the Persian Gulf. Low oil prices—in the absence of any effort to sustain the domestic oil industry—are taking their toll. American production is falling by roughly half a million barrels a day each year. The rig count is off from its peak by more than 80 percent. By 1990 it appears that we will be importing more than 50 percent of our oil, over nine million barrels a day. And the decline in U.S. production will likely accelerate as we hit the decline curve at Prudhoe Bay. As we gradually, and more or less heedlessly, increase our dependency upon the Persian Gulf—and all that that implies in terms of reduced leeway for American foreign policy—we may have additional reasons to regret this series of actions that has further damaged our credibility in the Middle East.

V

The Reagan foreign policy record has no monuments like the breakthrough to China, the Egyptian-Israeli peace agreement or an effective arms control agreement. Until now it has

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been characterized as "no hits, no runs, no errors"—although the last phrase must now regrettably be dropped. The great accomplishment of Ronald Reagan has been much more psychological and political. He has presided over, and through the ebullience of his personality contributed to, the restoration of American self-confidence and public confidence in our institutions, particularly the presidency. Abroad he has presided over a sharp rise in American prestige (and therefore perceived power), reinforced by a sharp decline in Soviet prestige during its recent time of troubles. These were major accomplishments, but they are now seriously threatened. Public confidence in our institutions has been shaken once again. There are signs of a return of public cynicism. Although one should not expect a return to the mood of the 1970s, none of this can help national strength and unity. Internationally our prestige and influence have received a serious blow, though perhaps more from Reykjavik than from the arms scandal. The great accomplishment of the Reagan years has been reduced, even if it has not been brought low.

The tide that began with the Soviet invasion of Afghanistan and increased in force in the early 1980s has now ceased to flow toward the United States and has begun to ebb. To what extent will that benefit the Soviet Union? To what extent will the tide flow strongly in the Soviet direction? No doubt, the Soviet Union will benefit. But the Soviet image has been badly marred by its blunders, by its relative technical backwardness and by its economic weaknesses. As a consequence, the Soviet Union fortunately does not now appear to be in a position to take full benefit from the regrettable setback to America's prestige.

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Philip Geyelin

THE REAGAN CRISIS: DREAMING IMPOSSIBLE DREAMS

> For a salesman, there is no rock bottom to the life. He don't put a bolt to a nut, he don't tell you the law or give you medicine. He's a man way out there in the blue, riding on a smile and a shoeshine. And when they start not smiling back—that's an earthquake. And then you get yourself a couple of spots on your hat, and you're finished. Nobody dast blame this man. A salesman is got to dream, boy. It comes with the territory.
>
> —Arthur Miller, *Death of a Salesman*

Never mind the inexactitude of the analogy, or the fact that a character of the performing arts may seem to be an odd point of departure for an examination of U.S. foreign policy and the crisis of confidence and competence that began to engulf the Reagan presidency in the fall of 1986, threatening to leave it dead in the water for the next two years. Ronald Reagan, after all, has his own odd point of departure; he is a unique president, the first to make the passage to politics and the presidency from a career in the performing arts.

It is arguable whether, for Mr. Reagan, the world ever ceases to be a stage. Perhaps it doesn't, and perhaps that is the point; Mr. Reagan's approach to foreign policy over the years, and his performance in the first six years of his presidency in particular, have defied conventional or orthodox tests and standards applied by foreign policy practitioners, historians and academics. Experts in domestic politics and the American psyche may be the more reliable guides. The criteria for statecraft do not apply when what is being practiced more often than not is stagecraft, when dreaming impossible dreams is seen as something that "comes with the territory."

It is in this sense that Arthur Miller's salesman, Willy Loman, becomes an appropriate metaphor for Mr. Reagan's extraordinary mastery of the American political scene and for his Administration's collapsed condition at the turn of the year.

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There was no "rock bottom" to his political power in foreign policy: it rested almost wholly on public faith in the image of the President and on all the good things he symbolized ("America Standing Tall"), rather than on the firm foundation of unsentimental support for his policies, his programs and his performance, or a popular demand for substantive accomplishment. He had no time for fitting bolts to nuts. He was, indeed, "way out there in the blue," and he was, in fact, largely held blameless. (His most bitter critics, for the most part, have been his own true believers, sensing betrayals of their conservative beliefs.)

Then came the revelations of arms dealings with the tyrant Americans most love to hate, the man who held America hostage for more than a year, Ayatollah Ruhollah Khomeini. That was the earthquake: the American public started "not smiling back" at their President.

Could everything go wrong so fast—and, if so, how and why? Where does this leave the conduct of foreign policy for the remainder of Mr. Reagan's presidency? Was the earthquake a passing thing, albeit unsettling? Or does it mark the end of a "tottering" presidency, as Senator Daniel P. Moynihan (D-N.Y.) put it, signaling in turn the end of the Reagan Administration's capacity to govern and the opening up of a scandal with all of the destructive potential, if not the same character, as Watergate?

II

The initial tremors were surely ominous. The President's approval ratings in the polls plummeted: almost half of the American public believed that Ronald Reagan was lying when he said he knew nothing of the diversion of the profits from the arms sales to Iran to the Nicaraguan counterrevolutionaries or "contras." The damage assessments varied widely between those who clung to their confidence in Mr. Reagan's proven resilience and those who believed he had doomed himself to two years of reactive, defensive, unproductive foreign policy.

This latter scenario is not easy to dismiss. But neither can it be easily reconciled with the Reagan record over the years and the essential character of the Reagan presidency.

Unless one believes that the Administration, before the Iran revelations, was poised for a triumphant foreign policy finale (a hard proposition to defend), the current "Reagan Crisis" has much more the look of the natural consequence of an

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almost incredibly loose and unstructured way of going about the nation's business, carried along by a fierce ideology far more than careful calculation, and by the lift of Ronald Reagan's driving dreams. If that is so, what comes out of this crisis may be no worse—and may be even better—than what we had before.

The thought that things may never be the same again with the Reagan Administration, in short, is not such an awful thought. It is not, after all, as if a cohesive foreign policy making team, actively pursuing sound and successful policies, has been cruelly crippled through no fault of its own, or as if an able, activist president will now be unfairly robbed of his capacity to protect national security and project American power and influence.

Not surprisingly, this is not the view of those Reagan supporters inside and outside the government who would call off the hunt, abbreviate the congressional investigations, accelerate the judicial inquiries, cause a few heads to roll and get swiftly on to business as usual—which is to say the Reagan Revolution, the Reagan Doctrine, the Conservative Agenda. Put the crisis behind us, this reasoning goes, and the Reagan Administration will reemerge in an entirely different light—as a success story, by and large.

And that, in fact, is how many saw it after the first five years of the Administration's foreign policy. Writing in last year's issue of America and the World, Michael Mandelbaum argued that "Ronald Reagan has been a lucky president." He had passed the tests that Mandelbaum thought counted most: America's standing in the world had improved since 1981; war had been avoided; geopolitical setbacks had been averted. There had been no Vietnam or Iran, he noted, speaking just a year too soon. By those standards, Mandelbaum wrote, "the President has conducted what is perhaps the most successful American foreign policy of the last 25 years."

Perhaps, by those standards. But Mandelbaum went on to argue:

> The success that the United States has enjoyed since 1981 has been due in large part to circumstances having little direct connection with the efforts of the Reagan Administration. It has been the result of forces and trends outside the control of the United States and of measures undertaken by others and occasionally even opposed by Mr. Reagan. He owes his success abroad at least as much to good fortune as to good policies.

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By this reasoning, it could be said, the Reagan Administration owes its Iran/contra debacle at least as much to bad fortune as to bad policies, and it is here that the "luck of the President" analysis of Mr. Reagan's performance breaks down.

To see Mr. Reagan's Iran problem as an isolated, minor mishap, or to write it off to misfortune, is to ignore the record and to misread the man himself. As a consequence, it is to misperceive the implications of the current crisis for the conduct of foreign policy over the next two years.

The inadequacy of the "minor accident" theory of the Iran case is well demonstrated by the Administration's own hapless efforts to sweep the debris under the nearest rug. The President accepted the resignation of his national security adviser (his fourth in six years), Vice Admiral John M. Poindexter, and relieved the ubiquitous Lieutenant Colonel Oliver North from his frenetic White House duties. The Administration licensed a special prosecutor, and established a commission to review the Administration's misuse and abuse of the National Security Council system and to recommend more orderly procedures. The commander in chief of the armed forces begged a vice admiral and a lieutenant colonel to forgo their Fifth Amendment protections against self-incrimination for the sake of clearing the President, the vice president and the White House chief of staff, at the very least, of complicity.

The transparency of the effort was evident in the President's own disclaimer of a deal—"We did not, repeat, did not trade weapons or anything else for hostages"—even as he was, seemingly unwittingly, confirming in the same carefully crafted television address to the nation that a "trade" was precisely what had taken place: "Those with whom we were in contact . . . needed a signal of our serious intent," the President said. The "signal" was the furnishing of arms. "At the same time we undertook this initiative, we made clear that Iran must oppose all forms of international terrorism as a condition of progress in our relationship. The most significant step which Iran could take, we indicated, would be to use its influence in Lebanon to secure the release of all hostages held there."

The "condition" for the arms sales, then, was the release of the hostages—and that, somehow, is not a "trade"? All of this, in addition, was supposed to be a way of encouraging Iran to make peace with Iraq; in reality it added significantly to Iran's ability to intensify and perhaps even win the war and present

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itself as an important new threat to U.S. interests in the region. A further, seemingly contradictory purpose supposedly was to prepare the ground for a more stable relationship with Iran in the post-Khomeini era.

The futility of the effort to make sense out of what was clearly a covert departure from established and accepted public policy was evident in the public response. Not only did the President's general approval ratings plunge, the polls came up with the astonishing finding that roughly half the citizenry did not believe that the most trusted president in memory was telling the truth. Those who did believe Mr. Reagan, of course, had to accept the implication that the President's most intimate aides had spun out of his control. This was not a state of affairs that could quickly be fixed in the manner suggested by the demeaning image offered by Chief of Staff Donald Regan, of a White House "shovel brigade" tidying up after a parade.

We will never know whether Mr. Reagan might have restored the unprecedented public trust that stood him in such good stead for the first six years if he had dispensed with the double-talk, conceded that the Iran caper had done gross violence to stated principles and solemn promises, resisted the impulse to anoint Oliver North as a "national hero," and frankly admitted that he had made serious mistakes. Instead, the authentic voice of Ronald Reagan was to be found in a series of public outbursts by Patrick Buchanan, who from his position as White House communications director extolled the resort to lawlessness in pursuit of noble causes as a principled act and an entirely acceptable public policy.

That it should fall to Mr. Buchanan and Mr. Regan to serve as the point men in the President's damage-limitation efforts was almost enough in itself to disprove the "minor accident" theory. It was, after all, Mr. Reagan's decision to ignore the original counsel of the State Department, and of the secretary of defense as well—and to stand down, in effect, the battalions of established bureaucracies that ordinarily conduct national security affairs, transferring the conduct of his "closet" Iran policy to a corporal's guard of White House confidants. He was, accordingly, in no position to muster the full resources at his command when it came time to work his way out of the Iran mess. He stood very nearly alone.

If the President recognized the recklessness of doing business in so unorthodox a fashion, he gave no sign of it. On the contrary, perhaps the most reliable expression of his true

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feelings is to be found in an interview with Hugh Sidey of *Time* magazine that the President apparently initiated with a telephone call. The President unburdened himself of a bitter sense of having been unjustly victimized and attributed his plight in large, if not quite full, measure to "a great irresponsibility" on the part of "the media." That the President should have such a slim grasp of the dimensions of what has befallen him only reinforces the conclusion that the "minor accident" reading of the affair will not work.

III

Must we then accept the alternative theory of the "fatal accident," the end of a "tottering" presidency? Ironically, this has been propounded by many of the President's sympathizers (more in sorrow than in anger). It is reasonably founded on the Administration's multiple demonstrations of genuine—and perhaps irremediable—managerial disarray. It is further strengthened by the collapse of public confidence and the rush to judgment by seasoned Reaganologists, that the Reagan presidency has for all practical purposes come to an end.

Thus, *The Washington Post*'s Lou Cannon, who has covered Mr. Reagan since his days as governor of California, recalled in December a July cover story in *Time* magazine describing Mr. Reagan as "a Prospero of American memories, a magician who carries a bright, ideal America like a holograph in his mind and projects its image in the air." A little less than six months after this panegyric, and six weeks into the ravages of the Iran affair, Cannon came to the melancholy conclusion that "all the glitter is gone now, all the magic lost." The President had spent 50 years "insinuating himself into the national consciousness as a believable character who was America's best version of itself," Cannon continued. "Then the symbolmaster threw it all away in an escapade so preposterous in its premises and implications that Hollywood would never have accepted the script."

The fatal act of betrayal, Cannon argued, was the spectacle of a President who had promised "never again" to bow to dictators or yield to terrorism, suddenly "revealed as doing secret business with representatives of the Ayatollah Ruhollah Khomeini." Most polls bore out this analysis; it was the dealing with Khomeini, more than the flimflam with the profits and the contras, that gave Mr. Reagan's followers such deep distress.

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Fred Barnes, *The New Republic*'s White House watcher, saw it otherwise: the "de facto end of the Reagan presidency," he believed, came at the precise moment it was revealed that proceeds from the arms sales to Iran had been "laundered and funneled" to the contras. That, Barnes contended, had turned a question of policy into a criminal case and a full-blown scandal. If Barnes dissented on which aspect of the crisis most offended the American public, he shared Cannon's conclusion: "For Reagan, the worst is at hand. The Administration has lost control of events. Suddenly it is no longer the dominant force in American politics and government."

One trouble with these calamitous conclusions is their suggestion that if the reel could simply be run back to the day before the dealings with Iran were laid bare, we would have a Reagan Administration "in control of events" and "the dominant force in American politics and government." But the day of the Iran disclosures, of course, was also the day that Mr. Reagan and the Republicans lost control of the U.S. Senate. In the weeks immediately preceding that setback, there was the disclosure of "disinformation" about Libya as an accepted Administration practice of which the President insisted he was unaware. There was the President's loss of control over his policy for South Africa when the Senate overrode his veto of economic sanctions. And, finally, if the Iceland summit proved anything, it proved that the President was not even in control of his own Administration's arms control policy, let alone in control of U.S. relations with the Soviet Union.

To suggest, then, that the Iran/contra revelations cost the Reagan presidency its command of events is to forget what these revelations were all about: the President had lost command and control of the levers of the National Security Council machinery. If he, the vice president and the White House chief of staff are to be taken at their word, they had lost control over the White House national security adviser, who in turn only loosely controlled his overenthusiastic subordinate. The President, moreover, had lost the support of both his secretary of state and his secretary of defense for a significant foreign policy initiative.

This brings us to the more fundamental problem with the "fatal accident" theory: from the judgment that Ronald Reagan has lost his "magic," it does not necessarily follow that we are condemned for the next two years to exceptional immobility in foreign policy—that we will be at the mercy of who-

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knows-what hostile threats and forces and untoward events. Immobility is more likely to result if the Iran affair is seen as a freaking-out from normal procedures, a one-of-a-kind exception to the rule; for then one could believe that everything will be fine once we simply "get out all the facts." Immobility is much less likely, however, if the crisis is recognized for what it is: the logical consequence of an inherently flawed way of handling national security matters, as an accident only in the strict sense of one that was waiting to happen, and as the inevitable price that would have to be paid, sooner or later, for what one shrewd observer recently called the "sentimentalization of foreign policy."

Leon Wieseltier has made the connection between the President's fantasy of a perfect defense against ballistic missiles and the "exaggerated humanitarianism" of his efforts to free the remaining American hostages in Lebanon. "The derelictions in Iceland and Iran mark nothing less than the breakdown of the Administration's idealism, the shipwreck of its moral vanity, the refutation of its case for a statecraft of dreams," Wieseltier wrote in *The New York Times Magazine* in December, adding: "A foreign policy based not on facts but on moods; not on prudence, but on vision; not on candor, but on enthusiasm; not on calculation, but on initiation—it is not hard to see how [Robert] McFarlane, the former national security adviser, came to his hotel in Teheran."

Mr. Reagan, then, has effectively stood policymaking on its head. A more conventional process would build from the ground up, based on the realities of situations and on what can reasonably be achieved, with prudent consideration of the wider consequences for related security interests. It would strive for at least minimal consensus among the big bureaucracies, in advance, on the soundness of presidential objectives. In the formative stage, precedence would be given to the substance and the merits of the matter, as distinct from its political marketability. It would be left to the President and his political advisers to decide how much of the end product he can sell and how to sell it. Mr. Reagan starts the process at the top, with the advertisement of utopian policies which find a ready market with the American public but which cannot, as a practical matter, be delivered.

His sincerity is not the issue. There is no reason to doubt, for example, that he believes that he thought up his Strategic Defense Initiative ("Star Wars") "all by myself"; that the

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Sandinista government in Nicaragua can be pressured by suitably armed and supported contra forces into "saying uncle" and abandoning its Marxist-Leninist ways without being physically overthrown; that he did not "swap" Nicholas Daniloff for a Soviet spy, and still less offered arms to Iran as "ransom" for American hostages.

The point is not whether Mr. Reagan believes the things he says but that he propounds them both publicly and privately, and that he is cosseted by courtiers who, like Oliver North, not only share the President's generally unworldly view but are prepared to take presidential wishes as commands.

IV

Here lies the most useful lesson of the Iran mess, however harsh. It is a useful lesson because the Reagan presidency has not so much been unmade as it has been unmasked. That there are fundamental failings in the policymaking process can no longer be denied; on the contrary, for the first time, they can be more or less clearly identified. This offers at least a hope that ways can be found to deal with them over what promise to be, in any event, a difficult and demanding last two years of Mr. Reagan's Administration.

Longtime associates keep reminding us that Mr. Reagan learned in Sacramento to set aside ideology and idealism and abandon or temper objectives when it became self-evident that they were unattainable, and it has to be noted that in the presidency he has demonstrated a similar readiness to confront reality—as a last resort. His actions have rarely come close to matching his rhetoric as a presidential candidate: he would have bombed North Vietnam into a "parking lot"; blockaded Cuba as a way of forcing the Soviets out of Afghanistan; settled for nothing less than offensive nuclear "superiority." The same may be said of his White House rhetoric and reveries: he gave up his goal of punishing the "evil empire" with sanctions against the Euro-Siberian natural gas pipeline; backed out of the ill-fated intervention in Lebanon; and regularly reneged on his unqualified commitment to "swift and effective retribution" against terrorism when he found the reach to be beyond his grasp. But his devotion to the Strategic Defense Initiative at Reykjavik and his multipurpose Iran venture are recent reminders that he has by no means shaken the habit of entertaining visions and lines of action on which the orthodox machinery of government cannot (or will not) deliver.

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If the doomsayers are right, and Mr. Reagan no longer has the magic touch that gives substance to visions, where is the basis for believing that the Reagan presidency has not been crippled beyond repair? Or that it will be, at the very least, in poorer shape to deal with the demands of national security in its last two years than it would have been had there been no Iran exposé?

The only apparent basis rests in part on the premise that the President and the vice president will not themselves be caught up in various investigations and judicial inquiries over the coming months, and in part on a matter of preferences. It comes down to a choice between ills we know and ills we can only imagine. But surely the ones that we can only imagine need not necessarily be worse than the ones we know.

As a direct result of the Iran crisis, for example, we know a lot more than we did about the Administration's policymaking process. The President was pursuing a course of action out of the White House basement that Secretary of Defense Caspar Weinberger thought "absurd" and that Secretary of State George Shultz adamantly, but ineffectively, opposed. What Shultz described as "ambiguity" in his position could well be described in harsher terms. He did not resign in protest (as did his predecessor in the Carter Administration, Cyrus Vance), but neither did he support the President's decision once it had been made. Rather, he objected when it was disclosed that the White House had dealt directly with the U.S. ambassador to Lebanon, instead of working through the facilities of a State Department whose chief was hostile to the whole idea and had consciously made little effort to keep himself informed. The CIA apparently engaged in activities that the secretaries of state and defense knew nothing about—let alone Congress, which not only was not consulted under established procedures but whose stated will was flouted.

Is it too much to hope that there will be a good deal less of this sort of thing in the next two years, with an Administration on a tighter rein and under stricter scrutiny of one sort or another? If the President's magic is gone, so too are Poindexter and North, and with them all manner of public and congressional illusions and presumptions of a certain regularity. A trusted new national security adviser, Frank Carlucci, has conducted a wholesale housecleaning of the National Security Council staff. The President's commission for reviewing the National Security Council system, consisting of former Senator

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John Tower, Lieutenant General Brent Scowcroft and former Senator and Secretary of State Edmund Muskie—men who know their way around the national security scene—can be counted on to give Mr. Reagan a constructive nudge in the direction of common sense and more traditional procedures. This will help him (if he wants help) to control the unorthodoxy of the zealots in his immediate entourage.

Question marks of all kinds outnumber the available answers, the largest being Mr. Reagan himself. If the magic no longer works, will he now be forced to recognize the need to take into account a broader diversity of opinion before deciding, for example, how to proceed to salvage arms control or his contra aid program, and how to reconcile the inevitable differences he will have with a House and Senate both under Democratic control? It will not be easy for him to conduct a coherent and consistent foreign policy as a doubly lame-duck president, with only a year to go before 1988, when presidential politics will have begun in any case to condition the performance of both Republicans and Democrats in ways that are unlikely to foster a helpful bipartisan spirit.

So the United States government will inevitably be more than ever at the mercy of events and incapable of organizing itself forcefully and credibly behind new initiatives. But when the uncertainties of what lies ahead are weighed against the certainties of where the Reagan Administration was going, and of the way it was proceeding before the Iran affair blew up, the uncertainties of the Iran fallout in the coming months become easier to contemplate. The American public might even begin to ask itself, as it comes to comprehend what went wrong in Iran, whether it is enough to ask nothing more of a president than that he be "out there in the blue, riding on a smile and a shoeshine."

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Leonard Silk

THE UNITED STATES AND THE WORLD ECONOMY

The year 1986 severely tested the ability of the United States to provide the leadership needed to prevent a threatened breakdown in the ever more closely integrated world economic and financial system. Dangers to the system have resulted from the high volatility of exchange rates, huge imbalances in trade and growing protectionism; these have been compounded by the inability of developing countries to meet their debt obligations, continuing fears of inflation in the midst of sharp declines in oil and commodity prices, sluggish growth in the industrial and developing countries alike, persistent overcapacity and unemployment. Aggravating the strains of clashing national interests were uncertainty and conflict among the major nations of the West over the right policies for solving this complicated set of problems.

If solutions are to be found, it is crucial that the leading industrial nations come to a common understanding of how to avoid repeating the mistakes that caused the Great Depression and the political disasters that flowed from it.

After World War I, and the inflations released by it, the major countries adopted highly restrictive monetary policies, which by the end of the 1920s choked off economic growth. The trend toward world deflation was reinforced by countries' mistaken foreign-exchange policies. In Britain the pound sterling had fallen to $3.44 in November 1920, but it was restored to its prewar dollar parity of $4.86 when Britain returned to the gold standard in 1925. Britain felt compelled to adopt excessively tight money to hold it there. The results were falling prices, economic slump, climbing unemployment and "the dole." In France, by contrast, the franc was undervalued after the war, and the large inflow of gold and foreign exchange put intense pressure on other countries, including the United States. In the United States restrictive tariff legislation was passed, especially the 1930 Smoot-Hawley Act, which hurt

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other countries and forced them to engage in severe deflation to maintain the exchange rates of their currencies. The Great Depression stemmed from the postwar boom—and from the deflationary measures some countries adopted to maintain their exchange rates.

Today there are some similarities to that earlier crisis, but there are important differences, including exchange-rate flexibility, an awareness of the danger of thrusting the world into a deflationary spiral, a recognition of the destructiveness to the system that unbridled protectionism would bring, and an understanding that fiscal and monetary policy can be used to stimulate the recovery of a national economy. But, despite some intellectual and political progress, divisions persist over how each nation can best pursue its self-interest—whether by holding down inflation and keeping its currency sound or by promoting economic expansion for the system as a whole. After the long post-World War II boom that lasted until the early 1970s and was followed by oil shocks, inflation and stagnation, the world economy is again suffering from overcapacity and high unemployment. Economists and politicians are searching for a way out of the dangerous bind—a way that can bring economic recovery without rekindling the inflation that compelled them to take the disinflationary steps that have led to the present unemployment. In a closely integrated world it is risky for any single nation, even the largest economy in the world, acting alone, to pursue a strongly stimulative policy without weakening its trade position and its financial structure—and without posing a threat to the international system.

II

The threat to the system was intensified by the United States' large and growing "twin" deficits in the federal budget and in foreign trade, and hence by the nation's growing foreign debt and dependence on the massive inflow of capital.

In fiscal year 1986 the U.S. budget deficit reached a record $221 billion, raising the national debt above $2 trillion, double its level in 1981 when President Reagan took office. The reasons for the vast increase in the public debt during the Reagan years are by now all too familiar: (1) the failed theory that so-called supply-side tax cuts would generate such an upsurge of national growth and tax revenues as to provide for expansion in both military and social expenditures; (2) the failed theory (or ideology) that curtailing the growth of federal

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revenues would force a curtailment of the nonmilitary activities of government (sometimes denominated "the Reagan Revolution"); (3) the rapid military buildup, and (4) the shortfall of revenues resulting from the unexpected and steep recession of 1981–82 and from the overall slow economic growth, with real gross national product increasing at an average rate of only 2.4 percent per annum during the first six years of the Reagan presidency.

While the budget deficits have been the focus of public and congressional anxiety, the strains on the American economy and the international system have been exacerbated by the less noticed growth of private debt. Business borrowing has grown rapidly, much of it to finance highly leveraged mergers and acquisitions, and so has borrowing by farmers, real-estate investors and consumers. Total American debt, private and public, has grown to nearly $9 trillion, more than twice its level at the start of the decade. Debt in recent years has grown much faster than the national economy. For two decades before 1982 total debt had held steady at 160 percent of the rising gross national product; in the past four years the ratio of total debt to GNP has leaped to 200 percent. This means that large numbers of business firms and individuals have put themselves in a more difficult position to repay debts if the economy turns down.

The rapid growth in private debt during the late 1970s and early 1980s was based on inflationary expectations; borrowers believed that the rising value of the assets they acquired and the declining value of the money they would use to repay their loans would more than justify the high interest rates they had to pay. Lenders and investors took big risks in the belief that inflation would bail out even unsound loans and investments. But the drop in inflation resulting from the sharp American and world recession of 1981–82 revealed the dangerous overborrowing that had gone on in the inflationary era.

The drop in inflation is doubtless the greatest achievement of the Reagan Administration. It resulted chiefly from the restrictive monetary policy pursued by the Federal Reserve under Paul A. Volcker, a policy which the Administration sometimes criticized as the cause of the recession but essentially supported. In 1986 the inflation rate as measured by the rise in consumer prices fell to 1.5 percent, its lowest rate since 1964, when the Vietnam military buildup was not yet in full sway. But the victory over inflation has been a costly one, and in 1986 the costs of both the inflation and stopping the inflation

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were still being paid. In the past year many farmers and oil producers were severely hurt or ruined when commodity and oil prices fell. Some 1,500 banks—about one out of every ten in the nation—were on the regulators' list of financially troubled institutions. One hundred and fifty banks failed in 1986, more than in any year since the Great Depression. Hundreds of technically insolvent savings and loan institutions were being kept afloat by regulators who did not want to exhaust the reserves of the Federal Savings and Loan Insurance Corporation.

Despite anxieties over the weakened financial structure in real estate, agriculture, energy, mining, manufacturing and banking, the wave of debt creation rolled on in 1986. What kept it rolling were the vast debts incurred, often through so-called junk bonds—high-interest, high-risk bonds—to finance mergers and acquisitions, as well as the debts incurred by corporate managements to fight off hostile mergers or acquisitions. As 1986 drew to a close, the revelation that the well-known arbitrager Ivan F. Boesky had agreed to pay $100 million in settlement of charges of insider trading brought by the Securities and Exchange Commission dealt a shock to Wall Street and the nation.

But "junk bonds" and such defensive devices as "poison pills" and "shark repellants" were only part of the reason total debt in the United States continued to grow rapidly in 1986; the growth was also fed by aggressive lending by financial institutions seeking to achieve a positive spread between their current rate of return and their current cost of money, by the drive of banks and thrift institutions to lend at floating or variable rates, pushing interest-rate risks onto borrowers, and by the interest-rate bargains or "buy downs" offered by auto companies and home builders seeking to make sales in a time of weakening consumer demand. Many businesses, unable to finance repairs, replacements or current operating costs, increased their debts simply to stay afloat. The drive to expand mortgage credit, much of it on a minimum down-payment basis, brought on a big increase in delinquencies and foreclosures on both homes and commercial properties as real-estate prices declined in many parts of the country, such as Texas and Oklahoma, which were hard hit by the slump in energy and farm prices.

A 1985 study by the New York Stock Exchange concluded that the health of American corporations had been endangered

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by excessive debt.[1] During 1986 nearly 70 percent of all corporate borrowing was short term; this is an extraordinarily high level. The "quick" ratio (liquid assets as a percentage of short-term corporate liabilities) fell to its lowest postwar level. The "interest coverage" ratio (pre-tax corporate profits to interest payments) was at a historically low level.

The danger is that if the United States' financial structure is further weakened by a worsening of the ratio of debt to gross national product, the outcome could be an increase in business failures (already at their highest postwar level), especially if the economy turned down. If, on the other hand, the monetary authorities were to go too far in trying to prevent a downturn, then inflation, high real interest rates and an overvalued dollar would continue to hurt American competitiveness in world markets.

III

The nation's internal and external economic problems are closely connected. The huge and growing public and private borrowing has pushed real interest rates above those in other competing countries. High interest rates, while essential to attract foreign capital given the inadequacy of saving by Americans, made the U.S. trade deficit worse. The capital inflow, by bidding up the value of the dollar, hurt American exports and import-competing industries, and caused the loss of many American jobs—some estimates run as high as two million—by forcing lay-offs and plant closings at home and shifts of production to foreign locations. The overvaluation of the dollar has not only helped to keep unemployment up but has also augmented the shift of jobs from goods to service industries, and in many cases to lower-paid jobs.

There are other factors involved in the job losses and job shifts, including the relatively high level of American wages, the spread of medium- and low-technology industries to other countries (including poor, developing countries) and the failure of American management to modernize as rapidly as foreign competitors, particularly Japan and the newly industrializing countries of Asia. Added to these problems are the low rate of national savings, the high cost of capital and the low return on

[1] "The Financial Health of U.S. Corporations: An Update," New York Stock Exchange Economic Research, July 1985.

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capital investment in the face of worldwide overcapacity in steel, chemicals, minerals and other basic industries.

Throughout the world the problems of sluggish growth, financial instability, Third World debt and trade imbalances are interlocked—and lie at the heart of America's problems. As Nobel laureate Lawrence R. Klein has put it, both the U.S. budget and trade deficits and the related problems of sluggish growth, overcapacity and unemployment are "endogenous" to the world economic system. It now appears that these problems cannot be solved by the United States alone but must be solved within the context of that wider system.

The orthodox solution for a nation's problems of insufficient growth, overcapacity and unemployment—orthodox, that is, since the Keynesian revolution—has been for the government to increase the demand for the goods and services that a nation has the capacity to produce, and hence increase the derived demand for labor. And the prescription for increasing demand has been to cut taxes, step up government spending and enlarge the budget deficit. This prescription, crowned by the enormous deficit-financed war effort in World War II, ended the depression of the 1930s; it has been used, in combination with an accommodative monetary policy, under both Republican and Democratic administrations in arresting and reversing all the postwar recessions—including the steep recession of 1981–82. Some economists still consider the Keynesian macroeconomic approach for combating the business cycle the right prescription.

But the huge buildup of budget deficits and total national debt, along with the nation's increased dependence on international capital inflow, makes it difficult and even dangerous, perhaps impossible, for the United States to escape its burdens simply by increasing total demand through still greater increases in public or private borrowing. The harvest could be heightened inflationary pressure, a slowing inflow or actual outflow of foreign capital, a decline in investment, a further loss of international competitiveness, more people out of work and a worsening of protectionism, with ominous implications for the world economy and polity.

What do these new conditions and dangers imply for economic policy? The greatest change required appears to be that the unit for policy thinking must become the world economy rather than the national economy, although this flies in the face of traditional national politics and economic pressures.

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National policymakers must be concerned with the wider community of interests, thinking not only about conflicts with adversaries but about mutually supportive relations with allies and trading partners as well. Whether or not the current U.S. Administration is able to tackle the problems facing the world economy, the challenge is of such magnitude that it will be with us for some years.

IV

Since the end of the Second World War the United States has assumed the leadership of the free world and the primary responsibility for rebuilding and integrating the world economy. But Charles F. Kindleberger, in his presidential address to the American Economic Association a year ago, said the United States has lost its appetite for providing the world with what he called "international economic public goods."[2] These are goods and services which benefit the entire international community but for which individual consumers, businesses or nations are not necessarily willing or able to pay, such as open markets for the goods of other countries in times of glut, supplies in times of acute shortage, steady flows of capital to developing countries, international money, the coordination of international economic policy, and a willingness to be the lender of last resort in times of financial crisis.

Without a nation strong enough and responsible enough to play the role of leader, the international financial system is in peril. The need for an international lender of last resort, a role played by Great Britain through most of the nineteenth and early twentieth centuries, is greater than ever today with more massive flows of capital and goods, instantaneous communications and shiftability of funds, a plethora of transnational banking and industrial organizations, and the buildup of Third World debt to the trillion-dollar level. Unless the United States regains its ability and willingness to sustain nations in danger of default or builds a collective defense with Japan and others, there could be a financial disaster comparable to those of 1873, 1890 and 1929, or an even greater one.

One reason for the current danger is that the United States, like Great Britain after 1890, has lost economic power relative to the rest of the world. Although it remains the largest and

[2] Charles F. Kindleberger, "International Public Goods Without International Government," *American Economic Review*, March 1986, pp. 1–13.

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most important economy in the world, a relative loss of power has been causing the United States to turn inward and focus on its own imperiled interests. "The contraction of concern from the world to the nation," said Mr. Kindleberger, "is general, and applies to economists as well as to politicians and the public."[3] While there had been a recent upsurge of interest in the international dimension, the focus of this interest, he maintained, had been almost exclusively on what the connections mean for U.S. interest rates, trade and industrial policy, growth and wealth.

Nevertheless, even within these economic constraints and the pressures of American interest groups that feel themselves adversely affected by foreign nations, the Reagan Administration, under the leadership of Treasury Secretary James A. Baker, has been struggling to play the role of leader and provide "international economic public goods." The Administration has sought open, or at least partially open, markets in a time of gluts; enhanced flows of capital to developing countries in a time of anxiety among banks about their existing overexposure; international money in a time when the dollar is overvalued and the American trade position and balance of payments are extremely weak; and policy coordination among the major industrial countries in a time when other governments, like the United States, are increasingly preoccupied with their own problems and, in some cases, have begun to regard "coordination" as inimical to their national interests. A critical concern for the future is to make sure that the United States, or some group of nations including the United States, is prepared to play the role of lender of last resort should an international financial crisis develop.

Secretary Baker's difficult task is to advance American interests by pressing other countries to share the responsibilities and burdens of providing international public goods. Since the Plaza meeting of September 22, 1985, of the Group of Five—at which Japan, West Germany, Britain and France agreed with the United States that the dollar needed to be lowered against their currencies—the U.S. Treasury has been pursuing a dollar-devaluation policy in order to cut the trade deficit, restrain congressional protectionist pressures and force monetary support for the United States on Germany and Japan.

The dollar did come down sharply, at least against the

[3] *Ibid.*, p. 9.

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German mark and the Japanese yen. But as 1986 wore on, it became less clear whether the U.S. dollar-devaluation policy would fit in with the aim of reviving stronger and more stable world economic growth or whether it might even be harmful—especially if it wound up sending the dollar into a free-fall.

After the middle of the year Japan and West Germany resisted further depreciation of the dollar: Japan feared the loss of export markets and Germany worried about the regeneration of domestic inflation. The United States urged both countries, if they wished to avoid further dollar depreciation against their currencies, to use fiscal and monetary policy, especially cuts in interest rates, to spur the growth of their domestic economies, to help increase the demand for American exports and sustain the debt-ridden developing countries.

On the eve of the September 1986 meetings in Washington of the International Monetary Fund and the World Bank, a dispute surfaced between Treasury Secretary Baker and Federal Reserve Chairman Volcker over the need for further dollar devaluation. In congressional testimony, Mr. Volcker said he thought the dollar had declined enough and that other policy measures were needed to reduce America's trade deficit, but Mr. Baker seemed to be threatening further dollar devaluation unless the Japanese, the Germans and their European partners did more to stimulate their economic growth. Mr. Baker's pressure evoked a heated response from the European finance ministers and central bankers, meeting in Gleneagles, Scotland, who warned that, to prevent a further dollar decline, they would intervene in the currency markets. At the IMF meeting in Washington, President Reagan reinforced Mr. Baker's warning that the dollar would sink further unless the other industrial countries took action to accelerate their growth. But the stalemate continued.

The Europeans insisted that the problem of global imbalance in trade and exchange rates was the United States' fault, a consequence of its huge and continuous budget deficits. They contended that the United States had failed to deliver on its part of the Plaza agreement—bringing down the budget deficit as the Europeans and Japanese accepted the further depreciation of the dollar. Indeed, the American budget deficit had swollen further in the year since the Plaza agreement, and the other governments blasted away at this failure.

President Reagan sought to deflect this criticism by declaring that he would act more strongly than ever to get rid of the

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budget deficit. His "highest task," he said, was "curbing the growth of our government's spending." "No nation," he declared, "can survive if Government becomes like the man who in winter began to burn the wall boards of his house to keep warm until he had no house to keep warm." His Administration had "made progress against those who would condemn future generations to pauperdom." His main weapon against them, he declared, was the Gramm-Rudman-Hollings law, which mandated a steady course to a balanced budget in 1991. "I pledge to you," he declared to the 151 nations assembled at the IMF meeting in Washington, "that I will do all in my power to stop this fiscal death march."

Yet, as the fiscal rhetoric escalated, foreign disbelief that the United States would act to cut its budget deficit deepened; it was believed that the United States was instead trying to put the burden of readjustment on other countries by urging them to reflate their economies and reduce their competitiveness.

The Germans were particularly adamant in refusing to play "locomotive" for the world economy; they maintained that they had taken on that role once before, in response to the blandishments of the Carter Administration, but had weakened their economy in the process and would not do so again. Chancellor Helmut Kohl and Finance Minister Gerhard Stoltenberg insisted that the German economy was already growing quite fast enough. They said that the problem of unemployment—the jobless rate was hovering close to nine percent—was mainly a structural, not a cyclical, problem; it needed to be solved from the supply side, through greater mobility of labor and flexibility of capital. The president of the Bundesbank, Karl Otto Pöhl, resisted American urgings that the German central bank cut its discount rate and step up the growth of the money supply, asserting that the money supply was already growing too fast in Germany.

The Japanese were more responsive to Secretary Baker's campaign for greater cooperation in the interests of world economic stability and growth. In late October, Mr. Baker and Finance Minister Kiichi Miyazawa worked out a bilateral agreement stating that action by the key industrial countries was "critical to promoting world economic growth, reducing imbalances, and resolving international debt problems." As part of the accord, the Japanese government agreed to cut the discount rate of its central bank and to submit a more stimulative budget to the Diet. But less than two months later, on

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December 25, 1986, the Japanese government approved the smallest spending increase in three decades. "It is hard to find revenue sources for more public works projects," said Miyazawa.

V

As the American initiatives vis-à-vis Japan and West Germany demonstrate, the United States in 1986 adopted a policy of "aggressive bilateralism," which was intended to promote its own economic interests but at the same time to forge coalitions that it hoped would keep the world economy stable and growing. In defending the pressure that the United States was putting on Japan and Germany to expand their economies more rapidly, Secretary Baker insisted that this policy was not aimed primarily at expanding the market for American goods but at preventing a breakdown in the world economy. "We feel that we are engaged in a life or death struggle here to preserve the world economy," he said. And, in the wake of the November congressional elections in which the Democrats gained control of the Senate, Mr. Baker said that the election outcome should prove to the Germans, the Japanese and America's other trading partners that "we were not crying wolf" in warning that a mood of populism, isolationism and protectionism in the United States posed an increasing danger to the world economy.

The effort to make bilateral deals with key partners represented a shift from the multilateralism that had characterized U.S. international economic policy during the period when it led the way in the construction of the great postwar international economic institutions, including the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade. But aggressive bilateralism also marked a shift from the go-it-alone tendencies of the Reagan Administration during its first term, founded on an exaggerated view of America's economic strength. During his first term, President Reagan and his then secretary of the treasury, Donald T. Regan, hailed the capital inflow to the United States as a tremendous vote of foreign confidence in the American economy and regarded the rising dollar as evidence of the nation's vigor and the Administration's successful policies. In the second term, however, with Mr. Regan moving to the White House as chief of staff and Mr. Baker taking over as secretary of the treasury, dollar machismo gave way to a policy of dollar deval-

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uation. But the policy of dollar devaluation as a means of stabilizing and regenerating world economic growth ran into problems in 1986.

Mainly as a result of the 40-percent fall in the dollar against the yen, Japan suffered a severe slowdown. Its export industries lost profitability and sales, especially to its competitors in South Korea, Taiwan and other newly industrialized countries, which had prevented their currencies from falling significantly against the dollar. The Baker-Miyazawa agreement was achieved because Japan recognized that, to safeguard its export markets, it needed to halt further dollar devaluation against the yen. Germany, feeling less threatened by the loss of the American market (a minor part of its export sales) and relatively secure within the European Common Market (where the bulk of its exports go), rejected the American threat of further dollar devaluation.

Within the U.S. government there were differences of view, especially between the Federal Reserve on one side and the Treasury and the White House on the other, on how far to push dollar devaluation. The Fed tended to worry more about inflation and the danger that the dollar would fall out of control and cut off foreign capital inflow, while the Treasury and the White House pressed for what were known as "pro-growth" policies, fearing that recession posed a greater danger for the United States and the world economy than inflation. The world could live with inflation, they reasoned—it had done so through the 1970s and early 1980s—but serious recession could trigger a collapse of the world debt structure and bring on deflation and depression.

Another problem troubling policymakers last year was that the U.S. trade deficit continued to worsen despite the depreciating dollar and falling oil prices. It ran at about $175 billion in 1986 compared to $132 billion in 1985. Most economists thought the widening trade deficit reflected the normal lag in the so-called J-curve. During the initial period after a currency devaluation, according to this theory, import costs rise and export earnings decline as foreign competitors, determined to hold on to market shares, are slow to raise prices. But, as their profit margins are squeezed, they do eventually raise prices, causing a drop in their sales as cheaper domestic goods are substituted for imports, and the trade deficit shrinks. Late in 1986, following declines in the trade deficit in August, September and October, the consensus view of private and official

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economists was that the J-curve was at the turning point and that 1987 would see a marked improvement in the trade deficit, which would help keep the economy growing. But a huge jump in the trade deficit in November to a record monthly level of $19.2 billion shook confidence that a more favorable trend had begun.

At best, the improvement in the trade deficit was expected to be slow. Japan and other foreign competitors, despite the currency devaluations, were still holding down their export prices in a world suffering from unemployment and overcapacity. The outlook was for sluggish growth in the world economy to continue, thus limiting the demand for American exports; and other countries had invested heavily in facilities to serve the American market and would not readily give up. Major U.S. trading partners, including Canada, Mexico and other Latin American countries, had not allowed their currencies to rise much, if at all, against the dollar and were unlikely to swell the demand for American exports. A policy problem facing the United States was whether to press these other countries to accept dollar devaluation against their currencies; but their own unemployment and depressed industries and agriculture implied strong resistance and possibly worse political relations, increasing the risk that further dollar devaluation would be counterproductive.

There was the further risk that, unless the United States moved more decisively to eliminate the budget deficit, the trade deficit would persist anyhow. As Clayton K. Yeutter, the U.S. trade representative, put the problem at the Congressional Summit Conference on World Debt and Trade in New York in early December: "We have contributed mightily to the trade imbalance by allowing our Federal budget deficit to outgrow our total available savings." Warning that Congress might lack the "political patience" to await a trade turnaround, Mr. Yeutter warned: "We seem poised as a nation to shoot ourselves in the foot just as our trade situation is beginning to improve."

President Reagan, politically weakened by the Republicans' loss of the Senate and by the Iran/contra affair, could have greater difficulty in staving off protectionist legislation from the new Congress. Legislators, however, were looking for ways to avoid naked protectionism that would virtually force retaliation, and so were foreign governments. The hope was that ways could be found to reduce trade imbalances by a positive "market-opening" approach that would enable the United

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States and others to increase their exports of services, high technology, intellectual property, agricultural products, and trade-related investment.

Belief that this market-opening approach might be possible was encouraged by the meeting of the GATT contracting parties at Punta del Este this past fall, launching the Uruguay Round of Multilateral Trade Negotiations. Although the meeting at Punta was more successful than had been expected, it left two major issues unresolved—agriculture and services. Worries remain that it will be a long and hard struggle to contain and reverse protectionist forces.

In the strained world economic environment, many governments will be hesitant to rush into the Uruguay round and commit themselves to an extension of tougher trading rules on agricultural products and other goods and services. The United States itself is in an ambiguous position. In recent years at economic summit conferences and in other forums it has pushed hard for another GATT round; yet it has itself adopted protectionist measures and is resorting to an aggressive bilateralism toward its most important trading partners. At the end of the year, the Administration said it would impose a 200-percent tariff on a broad range of agricultural exports from the European Common Market; Mr. Yeutter said the purpose was to force the Europeans to settle American claims of $400 million resulting from losses on grain sales due to the entry of Spain and Portugal into the European Community.

Other countries are also trying to decide whether bilateral or multilateral approaches, or some mixture of both, are more likely to best serve their interests. Canada, for example, has sought to initiate bilateral negotiations with the United States to create a wider "free trade zone." But finding the Reagan Administration by turns inattentive, sharply critical of particular areas of Canadian protectionism, and more than ready to take countermeasures against them, Canada appears to be wavering between bilateral and multilateral approaches to the trade problems.

For the world system as a whole, multilateralism offers greater efficiency and equity and the prospect of policy coordination among the industrial countries, and between them and the developing countries. As Sylvia Ostry, Canada's ambassador for multilateral trade negotiations, has argued, coherent development of Secretary Baker's plan for increasing the flow of public and private capital to the developing countries

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requires not only enhanced cooperation between the IMF and the World Bank but also the contribution of GATT, so that trade in financial services can become a key element in the development process.

During 1986, its first full year in operation, the Baker plan made only slow progress, but enough to show the critical contribution that a coherent multilateral approach can make. A money package supported by the IMF, the World Bank and commercial banks was quickly put together to help Mexico, which was thrown back into economic crisis by a severe earthquake, falling oil prices and government mismanagement. The World Bank negotiated policy-oriented loans for eight major debtors for a total of about $3 billion, and discussions were under way with 11 countries for an additional $4.7 billion. The IMF negotiated standby programs and surveillance arrangements with 11 major debtors. The commercial banks, still reluctant to increase their exposure in the debtor countries, did make a few new loans, completed multiyear reschedulings with the Ivory Coast and Yugoslavia and launched rescheduling talks with Bolivia, Morocco, Nigeria and Uruguay. New money packages were under discussion with Mexico and Nigeria, and an oil facility loan for Ecuador was nearly completed. Colombia raised $40 million through an eight-year bond issue in the Japanese market. And a number of countries were moving to adopt debt-equity swaps with foreign lenders. Secretary Baker, while cautioning that it would take time to achieve lower debt service ratios for the debtor countries, noted that they had been helped significantly by the more than five-percentage-point decline in interest rates since 1984, which would save the major debtors $14 billion annually.

The most important change introduced by the Baker plan was its stress on growth rather than austerity as the crucial strategy for rescuing the debtor countries. But the Baker plan's critics insisted that, while this growth strategy represented a significant conceptual advance, it was not supported by enough new money from the industrial countries or by strong enough measures for bringing down interest rates, converting debt to equity and forgiving part of the Third World debt.

The United States, however, is not ready to go much beyond the original Baker plan, feeling strapped for funds to do more and unwilling—perhaps unable—to lean harder on the private banks and international agencies. Some American businessmen, led by James Robinson, chairman of American Express,

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have been urging Japan to do more to aid the developing countries; indeed, Mr. Robinson has proposed that Japan, now the world's biggest creditor, launch a "Marshall Plan" for the developing countries. At the start of the new year, Japan, after running a trade surplus in 1986 of nearly $90 billion, announced a multilateral aid program of about $9 billion over three years. But neither Japan nor any other country seems ready to shoulder the burden of aid-giver comparable to that which the United States assumed after World War II on behalf not only of its allies but also of its wartime enemies, Japan and Germany. Indeed, with memories of the Japanese and German bids for world dominance during World War II still very much alive, there is ambivalence in the United States and other Western countries over how large an international leadership role Japan and Germany should be urged to play. In any case, neither country wants to take on those international responsibilities. Forty years after the war, the United States is still having the leadership role thrust upon it.

VI

How can the United States best perform that international role?

To do the job in a world in which the line between domestic and international economic policy has been rubbed out, the United States must set its own financial affairs in order. This means, first of all, tackling the structural deficit in the federal budget that has aggravated the trade deficit and made the nation so dependent on capital flows from abroad.

How hard and how quickly to hit the budget deficit is both a political and an economic problem. To hit it too hard in the economy's current state, with the economy growing so slowly as to be on the verge of a recession, might be to plunge it into the unwanted recession; some economists warn that all-out efforts to reduce the budget deficit would repeat the mistakes of the Hoover Administration and the early Roosevelt Administration, which, in futile efforts to balance the budget, raised tax rates and aggravated the depression.

But to fail to deal with the budget deficit at all might be to worsen foreign and domestic fears about the American debt and the fiscal irresponsibility of its political system, and to heighten the risk that foreign capital inflow would become a massive capital outflow that would reduce savings available for

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investment, force up interest rates and intensify recessionary forces.

The inflow of foreign capital to finance the trade deficit has thus far helped to sustain American living standards by enabling Americans to consume more than they produced. But the cost of amortizing and servicing the growing foreign debt is steadily rising. If the United States is to halt that rise, it must eliminate the deficit in its current-account balance of payments and even achieve a surplus that will enable it to repay or at least service its foreign debt.

How much damage to the American standard of living would result from eliminating the trade deficit would depend on whether the deficit is eliminated chiefly by raising exports or cutting imports, and whether it is done within a pattern of economic growth or stagnation. Eliminating the U.S. trade deficit chiefly by expanding exports would mean higher employment and output, thereby offsetting some or all of the costs of consuming less than the nation produces. To achieve that goal requires that America's trade deficit be wiped out within a pattern of domestic and international economic growth; in fact, it is difficult to believe that the world economy will go on expanding if the United States falls into a slump.

This takes us back to the problem of the federal budget deficit. Solving the budgetary dilemma—and it is a genuine dilemma, with the danger of undesirable outcomes from trying to cut it too much or too little—requires widening the frame of the problem. Domestically, that means that steps taken to reduce the deficit by cutting government spending or by raising taxes need to be offset by a monetary policy aimed at bringing down interest rates to help keep the economy growing.

For the United States, with its heavy dependence on foreign capital, to shift to a tighter budget and an easier monetary policy, aimed at increasing national savings and reducing interest rates, will require international cooperation, especially a willingness on the part of America's major partners to stimulate their own economies and to sustain world economic growth, which the United States has spurred but can no longer sustain alone. Specifically, the other major countries ought to bring down their interest rates as the United States lowers its rates, to prevent the dollar from plunging and inflicting worse disorder on the world monetary system. The aim of convergent monetary policies, however, should not be to keep the dollar

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where it is but to move it significantly lower while also easing the world economy into a "soft landing."

Theoretically an overall redesign of the world monetary system might be desirable, but practically the United States is likely to try to work bilaterally or with small groups of countries to solve its own problems and strengthen the international system, much as it has done in the past year and a half, starting with the Plaza agreement among the Group of Five in September 1985. This was followed in March 1986 by a G-5 coordinated reduction in central bank discount rates; in April by a second round of discount-rate cuts by the G-5 minus Germany; in May at the Tokyo economic summit by an agreement among the G-7 (the United States, Japan, Germany, Britain and France plus Canada and Italy) on new arrangements for closer policy coordination; in September by an agreement of G-7 finance ministers for a multilateral surveillance exercise; and in October by the Baker-Miyazawa agreement. "These six steps," said Mr. Baker, "are only a start. We need to build on them while keeping our expectations within reasonable bounds."

All this is certainly "reasonable"; it may even be the best that can be done in the existing circumstances. But the question is whether it is good enough, given the dangers facing the American and world economies, the persistent trade and exchange-rate misalignment, the spreading protectionism and the precariousness of the debt-ridden developing countries.

VII

In sum, there are no "technical" solutions to the economic problems the world is facing. What is most needed is political will—the will of the United States to deal more effectively with its own problems and the will of all the major industrial countries to work together for a common end. It is easy enough to say that, with the lessening of American dominance and the diffusion of economic power, Japan and Germany must accept wider international responsibilities and join the United States in efforts to prevent a crack-up after the greatest period of growth the world economy has ever experienced.

But if that cooperative spirit is lacking, a crack-up could indeed come, with severe political as well as economic consequences. The political consequences could include a cut by the United States in its military support for Europe and Japan, if their investors were to start unloading dollar assets and building their own regional redoubts, and that would mean a weakening

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of the defenses against aggression. In a sense, we have been here before. It is the knowledge of what could lie ahead if we fail to work together that may be the main reason to hope that we will not let it happen again.

The most important aim of economic cooperation in the year ahead will be to keep the world economy moving forward. For within a pattern of growth the serious problems of world debt, trade and currency imbalances can be contained, and progress can be made toward their solution.

At the end of the 1920s it was the resort by individual nations to unduly restrictive monetary and fiscal policies and to "beggar-thy-neighbor" protectionism, in the presumed self-interest of each, that caused the Great Depression. That blunder must not be repeated. The greatest change needed to preserve stability and growth is for the world economy, rather than the national economy, to become the unit for policy thinking. Despite the resistance of traditional national politics and interest-group pressures, the development of internationally integrated monetary and fiscal policies has become vital to the economic well-being of every country.

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Dimitri K. Simes

GORBACHEV: A NEW FOREIGN POLICY?

Since Mikhail Gorbachev became general secretary of the Communist Party on March 11, 1985, the conduct of Soviet foreign policy has improved. A skillful public relations effort has become an important component of Moscow's diplomacy, but the substance of the U.S.S.R.'s international behavior has also changed considerably. Gorbachev himself increasingly talks about the need for "a new approach" in addressing the problems of the world. At the 27th Party Congress in February 1986 he said:

> It is not only in internal affairs that the turning point has been reached. It characterizes external affairs as well. The changes in contemporary world development are so profound and significant that they require a rethinking and comprehensive analysis of all factors involved. The situation of nuclear deterrence demands the development of new approaches, methods and forms of relations between different social systems, states and regions.[1]

In a speech in Vladivostok in July, Gorbachev was even bolder, claiming that "the current stage in the development of civilization . . . is dictating the need for an urgent, radical break with many of the conventional approaches to foreign policy, a break with the traditions of political thinking."[2]

Rhetoric, of course, comes cheap. But the foreign policy changes under Gorbachev have gone beyond words. He reshuffled the national security leadership, bringing younger and less doctrinaire officials to key positions and giving himself more personal control over decision-making. The new team quickly distinguished itself not only in launching Gorbachev's "charm offensive" but also by introducing a wide variety of foreign policy initiatives ranging from arms control proposals to overtures to China.

It is still far from certain how far, how fast and even in what

[1] *Pravda*, Feb. 26, 1986.
[2] *Pravda*, July 29, 1986.

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direction Gorbachev intends to proceed. After less than two years on the job he needs more time to consolidate his authority. Until he became Yuri Andropov's de facto deputy after Brezhnev's death in November 1982, Gorbachev had little exposure to international affairs. His education as the chief architect of Soviet foreign policy is far from complete, and he himself probably cannot anticipate fully how his on-the-job learning will shape his attitudes toward the world.

If his record since assuming the leadership is any guide, Gorbachev is not inclined to depart from the fundamentals of Soviet strategy. Rather, the general secretary creatively uses a refreshing tactical flexibility in the pursuit of traditional Soviet objectives. These objectives include maintaining control over Eastern Europe; preventing whenever possible the emergence of unfriendly governments on the Soviet periphery; sponsoring Third World clients; aggressively seeking to undermine and/or replace U.S. geopolitical influence; and developing a military capability sufficient both to assure the U.S.S.R.'s ability to deal with any conceivable coalition of enemies and to project force on a global scale.

To respond properly to Gorbachev, the United States must distinguish between a newly pragmatic, vigorous and relatively sophisticated Soviet policy and a policy that would be truly more benign. America should welcome a more effective Soviet foreign policy only to the extent that it simultaneously becomes more moderate. Otherwise the United States and the West as a whole may find themselves mesmerized by an impressive Kremlin performance, forgetting that its final act is supposed to be their own demise.

II

The current Soviet domestic environment favors innovation in foreign policy as long as it does not abandon basic interests, ambitions and modes of behavior. Gorbachev frequently argues that the Soviet preoccupation with the modernization of its economy and society assures the peaceful nature of the U.S.S.R.'s global strategy. This is probably true to the extent that a period of international calm would help the Kremlin devote more resources to economic development. A new détente would also help Moscow obtain Western credits and technology.

But Soviet foreign policy is never dictated by economics. If anything, Gorbachev's difficulties in quickly improving the

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Soviet economy make it all the more important for him to demonstrate momentum in foreign policy. This momentum must be achieved without giving an impression of weakness or overeagerness. No conceivable economic benefits would be accepted by either the elite or the majority of the Soviet people as adequate compensation for the abandonment of the much cherished dream of Soviet imperial greatness.

This is not to suggest that the Politburo would block Gorbachev if he scaled down Soviet global ambitions; but his image as a formidable leader would be compromised. This image is crucial if the general secretary is to push through much needed but highly controversial economic reforms. On the one hand, as the writings of former Chief of the General Staff Nikolai Ogarkov suggest, the military and defense industrialists do appreciate that economic reform may be the only means to maintaining Soviet geopolitical competitiveness. But any Soviet leader might find his credibility among the powerful national security elite badly damaged if change at home were to become coupled with a perceived softness abroad. Nothing about Gorbachev or his career indicates that he is likely to take such chances.

The modest improvement in the Soviet economy in 1986 relieves pressure on Gorbachev to reduce the economic costs of acting as a global empire. Regardless of the eventual outcome of the general secretary's reforms, he is starting from such a low economic base that several reasonably successful years probably could result from just introducing a more competent management, reducing corruption and improving work discipline. In the long run, however, nothing short of systemic change will suffice for the Soviet Union to remain a great modern power. Meanwhile there is little fear in the Kremlin that economic difficulties will force the Soviet Union to abandon its basic security interests and responsibilities.

Nor is there any apparent political pressure on Gorbachev to reduce Soviet international assertiveness. The general secretary's campaign for *glasnost* (openness) has certainly prompted criticism of all kinds of abuses and inefficiencies. But the campaign does not reflect an across-the-board liberalization. Rather, *glasnost* is used by Gorbachev as a political tool to expose those individuals and practices that stand in the way of his reforms. The general secretary wants to run a tight ship. Questioning his own actions does not seem to be part of *glasnost*. Accordingly, while the Soviet media discuss in depth

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how to improve the economy and even society as a whole, foreign policy remains off limits to any meaningful debate.

Andrei Sakharov's return to Moscow from exile in Gorki changes little in this respect. True, he was given an opportunity to appear on American television, where he called for an expeditious Soviet withdrawal from Afghanistan and for decoupling the Strategic Defense Initiative (SDI) from other areas of arms control. But to put this in perspective, the Sakharov release took place just days after another well-known dissident, Anatoly Marchenko, died in a prison hospital after a long hunger strike he had begun to protest his mistreatment. Taking into account Sakharov's poor health and his well-known mistrust of doctors in Gorki, it was only prudent for Gorbachev to take measures so that the Kremlin would not be blamed for Sakharov's de facto murder. Although the Nobel Peace Prize-winning nuclear physicist was released unconditionally, months earlier he had sent a letter to the general secretary hinting that once back in Moscow he would prefer to focus on research rather than politics. Sakharov's skepticism toward SDI promised political advantages to Moscow. Also, interestingly, the announcement of his return was made on the very same day the Soviet government issued a statement declaring an end to its unilateral moratorium on nuclear testing.

Other well-known dissidents like Anatoly Shcharansky and Yuri Orlov were, in effect, exchanged for spies. Several others were released at the request of prestigious American visitors such as Occidental Petroleum Chairman Armand Hammer and then Senator Gary Hart (D-Colo.). Gorbachev should get credit both for being broad-minded in handling these hardship cases and for the skill with which he has exploited them to improve the Soviet image abroad. Nevertheless, Soviet repression has continued essentially unabated. Jewish emigration figures for 1986—914—are the second lowest for any year since 1969. Dissidents of all stripes continue to be arrested and persecuted. Soviet citizens are warned against contacts with foreigners. More generally, the scope of *glasnost* does not include the KGB. Activities of the security services today, unlike under Khrushchev, are not subject to critical scrutiny from outside the agency.

For the first time since Khrushchev, the Soviet media have openly criticized the KGB. The possibility that *glasnost* may extend to the secret police is interesting and encouraging. Still, the incident exposed by *Pravda* was not about mistreatment of

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a dissident. Rather, it involved a provincial KGB chief in the Ukrainian city of Voroshilovgrad who illegally ordered the arrest of a local journalist. Worse, according to *Pravda,* the KGB officer attempted to implicate the newspaper's own correspondent, whose investigative reporting had angered the provincial hierarchy. In short, KGB officers in Voroshilovgrad had challenged the Central Committee's principal media institution in Moscow, and by implication Gorbachev's *glasnost* campaign. Their punishment and public humiliation is an impressive demonstration of the general secretary's personal authority. Whether it is also a sign that the KGB will no longer be able to escape public scrutiny remains to be seen.

The new leadership is less insecure about exposing Soviet citizens to opposing viewpoints. For the first time in the U.S.S.R.'s history, Western officials, scholars and journalists are invited to appear on Soviet television, where some of them question Moscow's arms control initiatives and occasionally go so far as to condemn the invasion of Afghanistan. Yet their Soviet colleagues, as in the past, do not go beyond explaining the party line with varying degrees of sophistication.

It may very well be that Gorbachev is unleashing forces he will have difficulty controlling. Intellectuals who today are delighted to have an opportunity to expose the sins of the past may develop a taste for independence and eventually become a problem for the regime. Nationalists in ethnic republics—as the recent riots in Alma-Ata have demonstrated—have an even greater potential for challenging the central authority. Whether such challenges indeed take place and how Gorbachev would respond to them—by cracking down once again or by allowing a degree of genuine pluralism—are matters of conjecture.

III

Most Soviet people are intensely patriotic and cherish the Soviet great power image. Gorbachev's own devotion to Soviet greatness is not in doubt. On the contrary, he has often emphasized that one of the principal reasons behind his call for far-reaching economic reform is the need to maintain and enhance the Soviet role in international affairs.

In this connection, however, there is evidence that not everyone in the Soviet Union is comfortable with Gorbachev's arms control concessions. In a speech to a group of workers in Togliatti in April 1986 the general secretary himself referred

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to "numerous letters" to the Communist Party Central Committee from those worried that "under the cover of peaceful talk and fruitless negotiations the West will make a leap forward in armaments," catching the U.S.S.R. unprepared. The Soviet leader sounded somewhat defensive when he provided assurances that "this will not happen."[3]

But even if some Politburo members are uneasy about Gorbachev's arms control proposals, they will not rush to mount an attack against him. The tremendous power associated with the general secretary's post should not be underestimated. He is much more than the first among equals. Once elected by the Politburo, the general secretary becomes both the chief executive of "U.S.S.R., Inc.," and the high priest of Soviet Communist orthodoxy. His speeches are treated as official party documents, almost as holy texts. And he is built up as a symbolic figure whose stature is linked to the very legitimacy of the system.

Unlike the pope, however, the general secretary may be ousted. But that has happened only twice in Soviet history. Georgi Malenkov, demoted in 1953, had never enjoyed full authority as Stalin's successor. Khrushchev's dismissal in 1964 occurred only after he had managed to push through his "harebrained" schemes and, more importantly, had conducted constant assaults on the privileges of elites throughout the Soviet establishment. After Khrushchev every Soviet leader, despite physical infirmities (and in Brezhnev's case even outright senility), was allowed to die on the job. Andropov was able to exercise considerable authority even from a hospital bed. Konstantin Chernenko, whose health also rapidly deteriorated, made his imprint by slowing down reforms at home and adopting a less confrontational posture vis-à-vis the United States.

As for Gorbachev, there is a certain similarity between his position and Ronald Reagan's political mandate of 1980. Both men came to power after several failed administrations. Both benefited from an intense desire by their respective bodies politic to have finally a successful government. And both were propelled to power largely by a widespread belief that the ways of the past were no longer acceptable.

Yet the differences are obvious. The Politburo has the right to ask for a general secretary's resignation, but under ordinary circumstances this right is more apparent than real. Like mem-

[3] *Pravda*, Apr. 9, 1986.

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bers of a corporate board, individual Politburo members serve at the pleasure of the general secretary. Grossly unskilled chiefs can be brought down by a coalition, but as long as a general secretary plays his cards carefully, does not fail too dramatically and does not challenge the interests of the elite too drastically, his position is secure. The last thing other Politburo members would want to do is expose themselves as his premature critics or opponents. Gorbachev is not yet a dictator. But he has both the mandate and the temperamental predisposition to act as a decisive chief executive.

This is particularly true in foreign policy, where the elite have fewer vested interests and there are fewer opportunities for sabotage. Western observers who speculate about hard-line challenges to Gorbachev too often uncritically project into the Kremlin's national security formulation the widely publicized bureaucratic procrastination, ineptness and corruption that frustrate economic reforms. But in foreign policy the institutions are much smaller, the degree of centralization much greater and the general secretary's control over both decision-making and policy implementation much stronger.

In contrast to Brezhnev, who allowed an essentially cabinet-type government, run by key party and state agencies, to retain considerable autonomy, Gorbachev has quickly moved to consolidate his hold. In the area of national security, the general secretary, instead of delegating authority to several senior officials, has built around himself an impressive team of associates. All of them had qualifications for their new positions. But none were sufficiently entrenched politically to risk deviating from Gorbachev's instructions.

The new minister of foreign affairs, Eduard Shevardnadze, was an unusual choice. He made his entire career in the republic of Georgia, as a Communist Youth League functionary, a party official, minister of internal affairs—in effect the chief of police—and finally the party leader. Despite a lack of foreign policy expertise, Shevardnadze apparently had several important qualifications. He reportedly had been friendly with Gorbachev since the late 1950s. He had established a reputation in Georgia as an efficient, no-nonsense, but also open-minded, administrator. After 30 years of Andrei Gromyko's iron rule, the Foreign Ministry needed a fresh approach. Moreover, although tough and decisive, Shevardnadze was known for his jovial, open personality, which was bound to contrast favorably with Gromyko's dour manner. As long as he was not

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expected to act as a foreign policy mastermind, the new foreign minister was an imaginative choice for the job.

With Gromyko's departure, the Foreign Ministry ceased being the center of gravity of the Soviet national security formulation. That role shifted to the Central Committee Secretariat, which is personally directed by Gorbachev. Two new secretaries appointed at the 27th Party Congress became the general secretary's principal foreign policy lieutenants. One, former Ambassador to Washington Anatoly Dobrynin, took over the International Department. That office, which in the past dealt primarily with non-ruling communist parties and so-called national liberation movements, was given new responsibilities and personnel to focus on East-West affairs, specifically arms control.

The other, Aleksander Yakovlev, a former ambassador to Canada and before that a career party official, joined the Secretariat to coordinate all Soviet propaganda activities, internal as well as international. Anatoly Chernyaev, previously one of five International Department deputy chiefs, was made Gorbachev's key foreign policy aide, replacing the venerable Andrei Aleksandrov-Agentov, who had performed this function under Brezhnev and his successors since 1964. Chernyaev, like his predecessor, is less a high-powered conceptualizer than a competent assistant, who keeps the general secretary well briefed and exposed to a variety of opinions. Among others contributing viewpoints are the directors of two leading Moscow international think tanks—the Institute on the United States and Canada and the Institute of World Economy and International Relations—Georgi Arbatov and Yevgeny Primakov, respectively. While Arbatov occasionally was consulted by Soviet leaders before the Gorbachev era, only recently has his and Primakov's participation in the leadership councils been put on a regular footing.

The absence of a military man in the Politburo concentrates even more power in Gorbachev's hands. The minister of defense, Marshal Sergei Sokolov, 75, was appointed during the last months of Chernenko's tenure after the death of Dmitri Ustinov. From the beginning he has appeared to be little more than a caretaker. His status as merely a candidate (non-voting) Politburo member may say more about his personal situation than about any intent to downgrade the military's political role. Yet the absence of a forceful military voice on the Politburo obviously enhances Gorbachev's authority. The chief of the

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general staff, Marshal Sergei Akhromeyev, who accompanied the general secretary to the Reykjavik summit, impressed members of the U.S. delegation as a competent officer. But particularly in anticipation of a succession at the Defense Ministry, neither he nor his colleagues are likely to resist Gorbachev's wishes.

The character of this new national security team is telling. Most of the new appointees are definite improvements over their predecessors. All of Gorbachev's hand-picked lieutenants have already had long and largely successful careers, and none were recruited from outside the narrow party-government institutional framework. None were ever known to dissent from Soviet policy. While younger (although not always so young—Dobrynin, Yakovlev and Chernyaev are all in their mid-sixties), more vigorous and creative, Gorbachev's top foreign policy appointees as a team are more suited to adjust the Soviet foreign policy course than to change it drastically.

IV

The concept of a bipolar world remains central to Soviet thinking. Gorbachev's address to the 27th Party Congress was notable for its unprecedented preoccupation with East-West relations and particularly the relationship with the United States. The general secretary's aides in Reykjavik revealed that he is personally involved in all major decisions on relations with America. No other country, including China, receives anything approaching the same level of attention from the Soviet leader.

Both Dobrynin and Yakovlev, as noted, are experienced America watchers. Dobrynin's deputy, Georgi Kornienko, used to work for him at the Soviet embassy in the United States. So too did Yuli Vorontsov, one of the two first deputy ministers of foreign affairs, who was Dobrynin's deputy chief of mission for many years. The other deputy is Anatoly Kovalev, who, like Chernyaev, is an expert on Western Europe. Never before has Soviet foreign policy formulation been so dominated by officials with backgrounds in Western, and especially American, affairs.

Why does the United States occupy such a central place in Gorbachev's world outlook? The new Soviet leader is a patriot and a pragmatist. He has little of Khrushchev's romantic enthusiasm for Third World revolutionaries. And unlike Brezhnev, he does not run foreign policy by inertia. Gorbachev defines his own priorities and pursues them with dogged deter-

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mination. From his perspective, it is the United States that represents the greatest threat to the security and prosperity of the Soviet Union. It is also the United States that remains the toughest obstacle to the expansion of Soviet global power. But the existence of the American giant offers Moscow attractive opportunities to play the role of the only other superpower benefactor for any nation disenchanted with Washington. Because the United States has a unique place in Soviet political thinking, agreements with it—particularly agreements that codify Soviet equality—contribute to Gorbachev's standing inside the U.S.S.R.

Soviet preoccupation with the United States does not mean neglect of other international interests: the general secretary has made new moves to improve ties with a variety of nations. Yet he has always made clear that while relations with other countries would be built on their own merits, it is with America that the issue of mutual survival would have to be worked out.

Soviet analysts themselves reject the notion that the U.S.S.R. could benefit from lesser concentration on the United States. For example, American Sovietologist Jerry Hough recently wrote an article published in *Literaturnaya Gazeta* in which he suggested that "the most realistic way to improve the Soviet-American relationship is to pursue a policy of a relative neglect of the United States," because otherwise Moscow's concessions would lead only to "the arrogance of power" on the part of the Reagan Administration. A leading Soviet commentator, Fedor Burlatsky, voiced a strong objection. In a rejoinder, Burlatsky argued that the relationship with the United States was too important to be put on the back burner for even a relatively short time.[4]

Continuity in Soviet foreign policy has also been evident with respect to Eastern Europe, where Gorbachev has combined flexibility and firmness. At the Soviet party congress, Gorbachev stated that disagreements among communist parties should not be overly "dramatized." In a departure from the Kremlin's previous insistence that deviations from the Soviet model of development and differences with Soviet foreign policy positions were unacceptable, the general secretary acknowledged that "identical views on all issues without an exception are probably impossible." Gorbachev's statement was interpreted by East European leaders as an official blessing to

[4] *Literaturnaya Gazeta*, Aug. 27, 1986.

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do things their own way. Simultaneously, Gorbachev instituted regular consultations with Warsaw Pact leaders on such international developments as the Geneva and Reykjavik summits. And East European officials were pleased that instead of always being summoned to Moscow, as was customary under Brezhnev, they now were frequently briefed in their own capitals.

Gorbachev's sensitivity to East European concerns has its limits. He has actively discouraged Eastern bloc countries from becoming dependent upon economic cooperation with the West. Instead they have been strongly urged to integrate further with the Soviet and other East European economies. All broad-minded talk aside, the practical side of Gorbachev's policy has been to force unenthusiastic client states to accept a plan for the merger of Soviet and East European enterprises on terms beneficial to the U.S.S.R.

The Brezhnev Doctrine is very much a part of Gorbachev's policy. Speaking at the Polish party congress in June 1986, the Soviet leader issued a stern warning to those seeking genuine independence from Moscow:

> . . . socialism now manifests itself as an international reality, as an alliance of states closely linked by political, economic, cultural and defense interests. To threaten the socialist system, to try to undermine it from the outside and wrench a country away from the socialist community means to encroach not only on the will of the people, but also on the entire postwar arrangement, and, in the final analysis, on peace.[5]

Gorbachev's approaches toward China reveal a certain flexibility, but he is not promising to give away anything important. In his Moscow party congress address he unequivocally described China as being a socialist state. He also noted an improvement in Sino-Soviet relations and declared that "the reserves of cooperation between the U.S.S.R. and China are enormous." Even more significant was what Gorbachev did not say; his speech carefully avoided explicit or even implicit criticism of Chinese policies.

The effort to rebuild bridges to China was initiated during the last months of Brezhnev's rule. Speaking in the Central Asian city of Tashkent on March 22, 1982, he expressed strong interest in normalizing relations with Beijing. He offered a symbolic ideological concession by calling China a socialist

[5] *Pravda*, July 1, 1986.

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country for the first time in years. Andropov and Chernenko made similar gestures during their brief tenures.

But it was Gorbachev who made rapprochement with China a diplomatic priority. Much has been accomplished already: the Sino-Soviet border has been generally quiet; trade is increasing; cultural exchanges have resumed; and some Soviet specialists have returned to China. But relaxation still has not led to true accommodation. Both powers share a desire to stabilize the relationship but neither appears to want to re-create the close alliance of the early 1950s. The Soviets speak rather positively about changes introduced by Deng Xiaoping. But behind a facade of curiosity and even grudging admiration there is a noticeable concern that successful modernization in China might change the balance of power to the detriment of the Soviet Union.

Gorbachev offered several inducements to Beijing in his Vladivostok speech. He disclosed that "the question of withdrawing a considerable number of Soviet troops from Mongolia is being examined." He made an apparent concession on the Amur River boundary dispute by accepting a demarcation along the middle of the main channel. Earlier, however, at the Moscow party congress, Gorbachev had emphasized that rapprochement with China would be "on the basis of principle and equality and not at the expense of third countries." The meaning was clear: the Kremlin would not meet China's demands for a Soviet withdrawal from Afghanistan and an end to its support of the Vietnamese occupation of Cambodia. Deng Xiaoping's offer, after the Vladivostok speech, to meet with Gorbachev if the Soviets disassociated themselves from the Vietnamese occupation did not receive a positive response.

Nor has the new Soviet leadership been willing to forgo its assertiveness in the Third World. At the 27th Party Congress Gorbachev acknowledged that the process of change in the Third World "has encountered considerable difficulties." In his view:

> Through political maneuvering, promises and bribes, military threats and blackmail, and not infrequently through direct intervention in the internal affairs of liberated nations, capitalism to a large degree has managed to save previously established relations of economic dependence. On this basis, imperialism has succeeded in creating and fine-tuning the most sophisticated system of neocolonial exploitation, in tying up closer to itself a significant number of liberated states.

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There has not been such pessimism in Soviet official speeches since Khrushchev announced an alliance with the Third World at the 20th Party Congress in 1956.

But Westerners who saw Gorbachev's realistic assessment as a sign that Soviet involvement in the Third World would be scaled down to save resources and improve relations with the United States have been disabused of such hopes. Setbacks in the Third World only motivated Gorbachev to try harder to uphold already existent Soviet commitments and more generally to keep the U.S.S.R. as a credible global power. A sense of overextension may have limited Moscow's willingness to accept costly new responsibilities, but it has not led Moscow to reduce its support for friends and clients, particularly those directly or indirectly challenged by the United States. New realism has not been translated into greater moderation.

In Nicaragua, Angola and Afghanistan, the Soviet Union made considerable new investments to support its embattled allies. Sophisticated weapons worth hundreds of millions of dollars were delivered to the Sandinistas and to the government of Angola. In Afghanistan, where the Soviets are reported to spend about $3 billion a year, there was an increase in the number of ground and air incursions into and artillery bombardments of Pakistan. A token withdrawal of Soviet troops from Afghanistan completed in November, by all indications, was no more than a public relations gesture.

The replacement of Babrak Karmal with secret police chief Najibullah in May 1986 as the Afghan Communist Party leader brought new sophistication to Kabul's policy. The new leadership did make some new approaches to tribal and religious leaders, and on January 1 Kabul proposed a cease-fire. Nevertheless, both the Soviet and Afghan governments made abundantly clear that their version of a "just settlement" of the war would keep the communist regime firmly in control. The "national reconciliation" in Afghanistan advocated by Gorbachev presupposes that Kabul will moderate some of its practices and even include some opposition elements in the government. But these elements are offered no more than token participation. In return, the United States, China, Pakistan and Iran are requested to stop all support of the rebels. And despite his professed desire to remove Soviet troops from Afghanistan, Gorbachev assured the visiting Najibullah that the Soviet

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Union "will not abandon our southern neighbor in trouble."[6] This does not sound like a formula for genuine power-sharing.

In the Middle East the Soviet Union sent new weapons, including long-range SA-5 missiles and advanced MiG-25 fighters, to Libya and Syria. Moscow denounced the U.S. raid on Libya in April as "state terrorism." Realistically, the Soviets could do nothing to prevent the American attack. They had neither the naval and air power nor, presumably, the desire to risk a direct military confrontation with the United States in the Mediterranean just to protect Muammar al-Qaddafi. In any case, they apparently provided no early warning to the Libyans.

Still, in evaluating the Soviet response to the raid, it is fair to say that for Libya the glass was half full rather than half empty. The Politburo canceled a scheduled May visit to the United States by Foreign Minister Shevardnadze, who was supposed to confer with Secretary of State George Shultz about arrangements for a U.S.-Soviet summit. To put this step into perspective, one should remember that Brezhnev did not cancel President Nixon's trip to the Soviet Union in May 1972 following the American bombing of Hanoi and mining of Haiphong harbor. Shevardnadze's cancellation could be partly explained by the Kremlin's uncertainty whether another summit with Ronald Reagan could accomplish much. But North Vietnam in 1972 was a much closer and important ally than Libya in 1986, and Qaddafi's endorsement of international terrorism was implicitly criticized even by Gorbachev himself.[7] Beyond diplomatic retaliation and verbal denunciations of "the barbarian attack," the U.S.S.R. agreed to make an additional contribution to Libyan defenses. Qaddafi's deputy, Major Abd al-Salam Jalloud, went to Moscow in late May and, in addition to meeting with Gorbachev, had extensive negotiations with a high-powered Soviet delegation headed by Soviet Premier Nikolai Ryzhkov, with Marshal Sokolov as a member. Upon his return to Tripoli Jalloud reported that the Kremlin promised to deliver new military aid.

Moscow also made additional commitments to Syria. After the U.S. raid Gorbachev personally assured visiting Syrian Vice President Abd al-Hakim Khaddam that Moscow would assist

[6] *Pravda*, Dec. 18, 1986.
[7] *Pravda*, May 29, 1986.

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in "the strengthening of [Syrian] defense capability."[8] When Britain broke diplomatic relations with Damascus over Syrian involvement in an attempt to blow up an El Al airliner in London, the Soviet Union accused Prime Minister Margaret Thatcher's government of following the instructions of "American reactionary circles and Zionists."

The Soviets also made new approaches to Japan and even to Israel. In both cases they went far enough to create an impression of movement but not far enough for any specific accomplishment. It had been ten years since a Soviet foreign minister had visited Tokyo, and the Japanese welcomed the fact that Shevardnadze's arrival in January 1986 restored a higher level of diplomatic dialogue. Still, like Gromyko before him, Shevardnadze refused to incorporate a specific reference to the contested northern islands in the joint communiqué. Similarly, discussions in Helsinki in August 1986 with the Israelis regarding the establishment of consular links collapsed over the Soviet refusal to discuss Jewish emigration.

All in all, Soviet geopolitical maneuvering under Gorbachev has demonstrated a new sense of purpose, a new realism and a new creativity. What it has not demonstrated is any kind of turn inward, any evidence that Gorbachev and his colleagues are scaling down Soviet global ambitions in order to concentrate on domestic economic modernization. Nor has the Soviet Union shown any hesitation to use force to accomplish its objectives or, for that matter, any reluctance to support governments charged with terrorism. Gorbachev's advisers publicly argue about "the need not to view conflict situations only through the prism of Soviet-American relations." However, the Soviet approach to world politics continues to be based on a familiar mind-set that views relations with the United States as a zero-sum game, in which any gain for Washington is automatically a loss for Moscow and, conversely, any American setback is a plus for the U.S.S.R.

The essence of Gorbachev's attitude to international affairs was summed up in his report to the party congress: "Continuity in foreign policy has nothing in common with the simple repetition of the past, especially as far as approaches to accumulated problems are concerned. . . . What is required is firmness in defending principles and positions coupled with tactical flexibility. . . . " And it is precisely in tactical flexibility, rather

[8] *Pravda*, May 30, 1986.

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than in a strategic reappraisal of Soviet international interests, that Gorbachev has already made a major impact on the conduct of Soviet foreign policy.

V

Where Gorbachev truly differs from his predecessors is in his handling of arms control. He has made a number of dramatic new proposals for which he received public credit, even from Ronald Reagan. It is first and foremost the general secretary's approach to arms control that leads two seasoned American analysts to argue that "his foreign-policy perspectives differ significantly from those of his predecessors and could reshape the ways in which the Kremlin deals with the outside world."[9]

A dynamic and imaginative arms control diplomacy has helped Gorbachev to determine, to a large degree, the focus of the East-West dialogue. For the Soviet Union to project a benign image, establishing arms control as the number-one international issue makes inherent sense. It turns attention away from events that otherwise could cause the Soviet Union considerable embarrassment. Gorbachev boldly used the Chernobyl nuclear plant disaster to make a case for his arms control program. The scandal over the arrest of *U.S. News & World Report* correspondent Nicholas Daniloff damaged the general secretary's reputation in the United States. The Reykjavik summit, proposed by the Soviet leader, helped to erase the memory of the Daniloff entrapment and to revive the image of Gorbachev the arms controller.

On this issue—arms control—Gorbachev could safely occupy the high moral ground. Whenever the Soviet Union finds itself on the defensive because of internal repression, the Kremlin makes a case that it is the true champion of the most important among all human rights—the right to survival. The tendency in the West to equate arms control with peace allows Gorbachev to make a favorable impression without sacrificing Soviet global aspirations or changing domestic practices.

If arms control talks end in a stalemate, the Kremlin is positioned to blame America and appeal to Western public opinion to put pressure on the American Administration. Since there is no audience on the other side that the United States

[9] F. Stephen Larrabee and Allen Lynch, "Gorbachev: The Road to Reykjavik," *Foreign Policy*, Winter 1986–87, p. 3.

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could hope to engage on its behalf, the arms control public relations contest must be played exclusively on Western turf. Consequently, even a draw is advantageous to the Kremlin. Gorbachev has perfected this use of disarmament diplomacy as a political weapon. But he also has offered enough substance to suggest that the professed Soviet interest in reaching an agreement is not just propaganda.

There has been an interesting evolution in the Soviet attitude toward nuclear weapons. Until the mid-1970s Soviet military doctrine argued that nuclear war, while inherently undesirable, would result in a Soviet victory. Accustomed to a position of nuclear inferiority, the Soviets charged the United States with all kinds of sinister designs to exploit the American edge. As the Soviet strategic forces grew, Moscow portrayed them as a symbol of the Soviet Union's parity with the United States, in effect a symbol of Soviet superpower status.

Gradually, however, first civilian and then military analysts in the Soviet Union began saying openly that nuclear war was unwinnable, would not bring victory to the U.S.S.R., but would destroy human civilization. The general recognition that in terms of nuclear capabilities the Soviet Union was, at a minimum, second to none has reduced Moscow's need to remind the world of its strategic might. In fact, such bragging had proved counterproductive, providing ammunition to Soviet critics in the West.

In the early 1980s some leading Soviet strategists, including Marshal Ogarkov, issued thinly camouflaged warnings regarding the limited military and political utility of acquiring more and more nuclear weapons. They emphasized that new types of conventional arms had the potential of accomplishing the same goals without creating unacceptable collateral damage. Yet the priority given to nuclear matters was retarding the Soviet effort to compete with the United States in these other increasingly crucial areas of military technology. Other Soviet experts pointed out that nuclear weapons had not helped the Americans in Vietnam or intimidated U.S. opponents elsewhere; privately they were willing to concede that the Soviet Union faced an identical problem.

The Soviet Union is less dependent on nuclear weapons than the United States. The U.S.S.R. enjoys a margin of conventional superiority on the entire periphery of its empire. No Soviet clients, in contrast to America's NATO allies, feel that the Soviet nuclear umbrella is the key to their security. Further-

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more, the growing Soviet non-nuclear force projection capabilities make nuclear weapons less indispensable for Moscow's global military role.

Because the Kremlin is deadly serious about the political utility of military power, and precisely because the Soviet force posture is determined largely by the professional military, there is an emerging consensus in Moscow about de-emphasizing the nuclear component of the Soviet arsenal as long as it can be done without giving an advantage to other nuclear nations. Arms control gives the Soviet Union a chance to accomplish exactly that.

There are also economic and technological considerations. The Soviet Union can afford its current level of spending on strategic forces, which constitutes eight to ten percent of the military budget. Any conceivable arms reductions would allow little savings; paradoxically, they may initially require some additional expenditure if the Soviets are forced to accept as the price of a deal the restructuring of their forces, which would require a move from heavy land-based missiles to a greater emphasis on missile-carrying submarines and bombers armed with cruise missiles—two categories in which the U.S.S.R. lags behind the United States.

But in a longer-term perspective, the Soviet Union is not interested in unrestricted competition with America in creating new types of weapons. An intensified technological arms race would occupy thousands of Soviet scientists and engineers whose work is vital for economic modernization. Moscow's concern is magnified by a fear that after all the resources invested in nuclear forces, it may find itself confronted with some completely new and unexpected technological threat. That is the main reason, as Gorbachev explained in his post-summit press conference in Reykjavik, for the Soviet concern over the U.S. Strategic Defense Initiative.

On the one hand, Gorbachev defiantly declared that the Soviet Union "is not frightened by SDI" and will be able to find an effective "asymmetrical" response to it "without having to sacrifice much," but the Soviet leader complained that "through SDI one can come into new types of weapons."[10]

From the Soviet standpoint it does not help that the United States may be better prepared for a race in new military technologies. In his party congress address Gorbachev admitted

[10] *Pravda*, Oct. 13, 1986.

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that "the current stage of the general crisis of capitalism" does not preclude "the mastering of new scientific-technological directions," even to the extent of achieving "social revenge, the recapture of previously lost positions." Anything arms control can do to address this danger by killing, or at least retarding, SDI would be a major accomplishment for the Politburo.

Finally, the Soviet system puts a premium on planning and predictability. Soviet leaders do appreciate the value of arms control in exchanging information, providing mutual reassurances and avoiding the need to think about each other's strategic programs in terms of worst-case scenarios.

The 1986 Soviet arms control offensive started on January 15 with the unveiling of a major new negotiating package. The proposal was typical of Gorbachev's approach: it included new ideas and was presented with dramatic flair. Only three hours after Gorbachev's letter to Reagan outlining his proposals was delivered to Secretary of State Shultz, the general secretary's detailed statement about the initiative was read on Soviet television and distributed by Tass.

Much of the package was pure public relations. Gorbachev proposed a complete elimination of nuclear weapons by the end of the century. Almost equally unrealistic was an appeal to begin by 1990 the elimination of nuclear missiles and battlefield weapons by all nuclear powers. Taking Soviet conventional preponderance into account, the negative reactions of the French, British and Chinese were easy to predict. The first stage of the nuclear disarmament plan, to reduce all U.S. and Soviet strategic arms by 50 percent, had already been proposed by the Soviets and rejected by the Reagan Administration. The proposal failed to satisfy the U.S. concern with heavy Soviet intercontinental ballistic missiles, yet precluded deployment of the U.S. MX missiles as well as the Trident II submarine. Finally, in the Soviet package, SDI research had to be confined to a restrictively defined "laboratory."

Real Soviet concessions consisted of an extension of a unilateral nuclear test ban moratorium, a willingness to allow on-site inspection, acceptance of the old U.S. zero-option for intermediate-range missiles in Europe (but no willingness to scrap missiles in Asia) and an agreement that British and French nuclear forces would not have to be included in the reductions as long as London and Paris guaranteed that they would not be expanded or modernized. But probably most encouraging

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was Gorbachev's apparent willingness not to demand U.S. abandonment of SDI as a precondition for progress on all other arms control issues.

Gorbachev also committed himself to a summit with President Reagan in Washington, but only if there could be movement on an intermediate-range nuclear forces (INF) agreement and a nuclear test ban. This commitment was delivered both publicly and through private diplomatic channels, including via intermediaries such as Senator Edward Kennedy (D-Mass.) and former President Richard Nixon. It was on this basis that the Reagan Administration finally accepted the Gorbachev request to hold a preparatory summit in Reykjavik. Washington assumed—now it is clear, far too casually—that Gorbachev wanted the encounter because he needed assurances that he would not leave the United States empty-handed after his visit. Apparently the Administration believed there had been enough progress on INF that some agreement could be completed in Reykjavik.

Instead of pursuing a limited agreement, Gorbachev confronted President Reagan with another comprehensive nuclear arms control package. In this case, all American and Soviet medium-range missiles would be banned in Europe. French and British nuclear arsenals would not have to be frozen. Moreover, Soviet missiles in Asia would be limited to 100 warheads, and Washington would be entitled to deploy the same number in the continental United States. Soviet short-range missiles in Europe would be frozen and negotiations regarding their "further fate" would begin. The 50-percent reduction in strategic weapons was revived, to be achieved in five years. But all of these concessions were at a price: the United States had to agree to limit SDI research beyond even the narrow interpretation of the 1972 Anti-Ballistic Missile Treaty for a period of ten years. Not only components but also elements of SDI systems could not be tested in space. After ten years the ABM treaty would still be in effect. Acceptance of the Soviet demand would amount to barring most SDI-related research efforts. The whole program could be considerably retarded if not stopped altogether.

What was the rationale for returning to the previous Soviet all-or-nothing position? Did Gorbachev expect President Reagan to surrender his SDI dream? Was it a calculated step to make major concessions to Western Europe while presenting SDI, and accordingly the Reagan Administration, as the only

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stumbling block to an arms deal of "historic proportion"? Or is it possible that Gorbachev has a gambler's streak which overcame his prudent judgment, that the Soviet leader misinterpreted Reagan's interest in his ideas and gave away too much to be able to settle at the end with a modest agreement on INF and a test ban?

There are no definite answers. But there was a real difference in both tone and substance between the Soviet leader's initial assessment at his Reykjavik press conference and his two subsequent television addresses in Moscow on October 14 and October 22. With each appearance Gorbachev sounded increasingly disappointed and bitter. At the press conference he stated that it would be a mistake "to say that the encounter produced no results" and claimed that the summit in Washington was "closer." His first television appearance in Moscow combined a sharper attack on the U.S. performance in Reykjavik with an assertion that "the meeting was useful." The fact that the third address on the same topic had to be delivered so soon after the first two suggests that something went wrong. Gorbachev indeed has acknowledged that what has happened since Reykjavik was "totally different" from original Soviet hopes.

Gorbachev's initial cautious optimism was based on two misconceptions. First, the Soviet leader failed to understand that there was more to the differences between the two sides' positions in Reykjavik than just SDI. Reagan's peculiar negotiating style and his emphasis on the big picture at the expense of crucial details obscured major areas of disagreement on strategic offensive weapons cuts. U.S. efforts to interpret the President's words, contrary to Gorbachev's own perception, evidently touched a sensitive nerve. The Soviet leader sounded particularly angry over the American insistence that all Mr. Reagan had promised was to eliminate ballistic missiles rather than all strategic arms.

Second, Gorbachev's press conference suggested a strong expectation that the public in the United States and particularly Western Europe would pressure the Reagan Administration to accommodate Moscow on SDI. Instead, the Kremlin discovered that the President was able to rally American opinion around his refusal to yield on SDI research. Even more shocking to the Soviets was the advice of key West European governments to de-emphasize those elements of the agreement in Reykjavik that Gorbachev has highlighted: a complete elimination of

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strategic ballistic missiles and the elimination of all intermediate-range missiles from Europe. The Soviet leadership finally had to see that the risky improvisation at Reykjavik, while in many respects embarrassing and potentially damaging to Washington, also had set back Gorbachev's arms control agenda.

VI

As frustrated as the Kremlin was with the Reagan Administration, it recognized that an overreaction might backfire. In a furious personal attack on the President published in *Pravda,* Georgi Arbatov nonetheless stated that the Politburo was not going to be "provoked."[11] Arbatov and other Soviet commentators were still saying that there was no alternative to negotiating with the Reagan Administration. Privately some Soviets were sending messages suggesting that a way might be found to decouple SDI again from INF and the test ban. They hinted that if that happened, preparations for a full-scale Washington summit could be put back on track.

The Iran/contra scandal, following the Democratic takeover of the Senate, was bound to raise the question in Moscow whether the President had become a lame duck. It is unlikely that the Soviets will try to exploit the President's moment of weakness by engaging in risky adventures. Gorbachev's advisers caution that the politically injured U.S. President may even welcome a Soviet challenge to divert attention from his domestic problems. But, conversely, the Soviets hesitate to do anything that may help the President; that obviously precludes an arms deal, at least temporarily. The Soviet leadership knows that the time to reach an agreement with Reagan is running out and, other factors being equal, it would prefer to accomplish whatever is possible with one president who can realistically deliver. Still, before genuine bargaining resumes, Gorbachev will have to conclude that the worst is over for President Reagan.

It is clear that any agreement that might be reached in the near term, while possibly beneficial politically, is not going to lead to significant changes in the military balance. Arms control can make some useful, if modest, contribution to managing nuclear competition, and failure to practice arms control seriously is probably detrimental to the West's ability to sustain a

[11] *Pravda*, Nov. 21, 1986.

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coherent policy toward the Soviet Union. It helps both superpowers to avoid deploying systems that neither really wants but may be compelled to proceed with in the absence of an agreement. The ABM treaty is a perfect example. It theoretically allows both sides to block the emergence of particularly destabilizing new weapons, although on this score the record is rather discouraging. Most importantly, arms control serves as useful political and psychological shock absorbers on the bumpy road of the nuclear race. Without it a worst-case mentality would inevitably flourish on both sides. Both the political stability of the U.S.-Soviet relationship and rational military planning would be jeopardized.

Nevertheless, arms control successes will be useful only as long as their limited impact on the East-West competition is evaluated realistically. The roots of the superpower rivalry are not in the nuclear arms buildup. Rather, the buildup itself is a reflection of basic conflicts of interests and values between the two systems of alliances. Accordingly, Gorbachev will have to show much more than his "new" arms control thinking to be accepted as genuine good news to the West.

What would really make the difference for America and its allies is if Moscow were to come to terms with its reduced ideological and cultural appeal, its technological backwardness as well as limited economic resources, and if it abandoned as a practical foreign policy objective the aspiration of being a global equal of—to say nothing of being superior to—the United States. Unless and until the Kremlin at least begins moving in this direction or, alternatively, succeeds in making the Soviet model attractive to the rest of the world, it will have to continue its unique reliance on force and coercion as foreign policy tools. It would be even more meaningful if the Soviet Union concluded that its security does not require an iron grip over Eastern Europe.

Speculating whether Gorbachev is interested in, or capable of, such a historic change in Soviet policy is an exercise in futility. What he has done up to this point may be either a case of tactical modification or a prelude to strategic reassessment. Gorbachev may not be quite sure himself. The United States does not know enough about his circumstances and does not have the adequate leverage and talent for foreign policy fine-tuning to influence the Soviet leadership's deliberations.

Following America's own interests is a more appropriate course during this time of Soviet transition. Identifying these

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interests clearly and coolly should be the first order of the day. And that requires a recognition that the Soviet domestic renaissance is not necessarily a blessing to the West.

Throughout Russian history the modernizers rather than the conservatives have pursued the most ambitious international strategies. Peter the Great, Catherine the Great, Alexanders I and II proved to be overall more assertive and menacing to Russia's neighbors than such conservative tsars as Nicholas I and Alexander III. The realization that things had to be changed at home was to a large extent caused by failures abroad. And to make Russia more powerful and competitive was traditionally one of the main rationales for reforms. Domestic renovation was usually accompanied by a new spirit of popular self-confidence and patriotism that could be mobilized by the rulers to support foreign exploits.

Khrushchev's de-Stalinization campaign is a case in point. During Khrushchev's time the Soviet Union underwent a far-reaching internal liberalization. Soviet foreign policy—as rapprochement with Yugoslavia and arrangements with Finland and particularly Austria would testify—became more flexible and imaginative. But it also became more vigorous and ambitious. It was Khrushchev who ordered the crushing of the Hungarian rebellion, built the Berlin Wall and deployed Soviet missiles on Cuba. It was he who presided over the missile buildup and the aggressive effort to organize an "anti-imperialist coalition" with Third World nations that transformed the U.S.S.R. into a truly global power.

There are both moral and geopolitical arguments for why the United States may benefit from a reformed Soviet Union. A pluralistic democracy would not only make Soviet society more humane but would also probably force it to devote resources and energy to internal problems at the expense of global assertiveness. But what if the impact of Gorbachev's "revolution" from above were limited to having the enlightened and determined autocrat adjust the Soviet regime to modernity? A new dynamism and efficiency on the part of an adversary is also a legitimate cause for concern. There are more unknowns than ever in the U.S.-Soviet relationship. Both new opportunities and new dangers abound. Americans must approach them with an open mind but without wishful thinking and excessive sentimentality.

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Michel Oksenberg

CHINA'S CONFIDENT NATIONALISM

Chinese foreign policy of the mid-1980s stems from four interrelated calculations. First, China's reform-minded leaders, whom I call confident nationalists, believe that through increased involvement in world affairs China can attain wealth and power while preserving its national essence. Second, they claim that the international setting permits a concentration upon domestic development; particularly because the Soviet Union is preoccupied with other pressing concerns, China can enjoy a stable environment in East Asia for the foreseeable future. Third, they claim that China can benefit from effective participation in the international economic system and can attract foreign involvement in its economic development. And fourth, they believe that China can pursue steady, independent, pragmatic and purposeful policies not only toward the three major powers of concern to them (the Soviet Union, the United States and Japan) but also toward three areas of crucial importance (Korea, Indochina and Taiwan).

The foreign policy of the reformers that emerges from these considerations is complex and subtle. Its overriding purpose is to forge a tranquil security environment in support of ambitious domestic economic development. The reformers want to lay the foundation for the eventual attainment of modern military force and international greatness. They combine a search for military security with a desire to expand economic ties with all potential trading partners. They seek to preserve Chinese sovereignty and autonomy while accepting the constraints of increased commercial and security links with the outside world.

The key question about this foreign policy is its durability: Is it the unique product of Deng Xiaoping? How deeply wedded is Deng himself to these views? Can the reformers sustain this policy in the face of internal opposition? The launching in late

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1986 of a campaign against "bourgeois liberalism" and "complete Westernization" and the sudden dismissal of General Secretary Hu Yaobang, a principal proponent of political reform, raised new questions about the stability of Chinese foreign policy.

In some respects Chinese foreign policy increasingly resembles the foreign policies of other great powers. While the charting of broad foreign policy guidelines remains the prerogative of a few people at the top (principally Deng Xiaoping), refining and implementing the policy have become much more bureaucratic and diffuse. The Ministry of Foreign Affairs has lost its previous dominance over the conduct of Chinese foreign relations, as such agencies as the Ministry of Finance, the People's Bank and the China International Trust and Investment Corporation have become important Chinese actors on the world stage. Coherence can only be imposed at the apex of the government and Communist Party apparatus in the Zhongnanhai (Beijing's citadel of power), where, in a pattern resembling the American system, policy coordinating committees have begun to proliferate.

With policy the result of bureaucratic interplay, the Chinese find it more difficult to summarize their policy in single, authoritative, programmatic statements, as was the case in the early 1960s in the polemics with the Soviet Union, in Lin Biao's famous 1965 analysis of guerrilla war and in the 1974 "three worlds" theory of international affairs.

Furthermore, China today is more accessible to foreign analysts than in the Mao and early Deng eras. The proliferation of journals and statistical compendiums reveals much more about the economy, foreign relations and the decision-making process, although much data remains classified. Chinese leaders travel more, occasionally answer questions from foreign journalists and meet frequently with foreign visitors. In short, more information is available, although it is screened less carefully. As with the study of other countries, analysts must separate the authoritative and serious statements and developments from the uninformed, the opinionated and the trivial.

Hence, the underlying themes of Chinese foreign policy are best deciphered through a distillation of the entire range of Chinese pronouncements and actions. Yet such an analytical approach has risks. It may attribute greater coherence and logic to Chinese foreign policy than it deserves. It cannot discern whether the explanations that the Chinese offer for

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their policies are accurate or merely justifications for moves dictated by internal political considerations. And it may well be that, behind the facade, the leaders of China are less confident of the future than their public image suggests.

II

The current expression of Chinese nationalism provides the first key to understanding the foreign policy of the mid-1980s. The opening to the outside world, the adoption of Western dress and the influx of foreign cultural influences have led many foreign observers to conclude that internationalism now prevails in Beijing. But negotiations with Chinese officials, whether for diplomatic, commercial or scholarly purposes, soon dispel such notions. The determination to advance national interests remains very strong. Deng and the reformers constantly reveal their pride in China's national heritage and their dedication to making China a major actor in world affairs. There has been no erosion in the long-term commitment to reunite Taiwan with the mainland or to settle China's border claims on terms suitable to Beijing. The strong protectionist impulses underlying Chinese foreign trade policy, their space program and the unprecedented port calls by Chinese naval vessels in the Indian Ocean symbolized the aspirations of the top leaders for national greatness and international influence.

Today's leaders are no less nationalistic than Mao and his supporters, but the nature of their nationalism is different. The ideological fervor, acerbic rhetoric and gratuitous insults of Maoist nationalism have subsided. Certain ubiquitous slogans of the 1960s captured the spirit of that era: "World in chaos; situation excellent." "Down with American imperialism and its running dogs." "China has friends everywhere." "The Chinese people contribute to all mankind." These slogans are still seen, but only on decaying, weed-encrusted billboards at neglected street corners and on the far edges of airport runways.

Modern Chinese intellectual traditions embrace a variety of nationalisms and nationalistic foreign policies. For the past century Chinese intellectuals have been deeply divided over the defining characteristics of the national essence, and political figures have given expression to several forms of nationalism. Each of these nationalisms—emotional, xenophobic, assertive or confident—is rooted in a different assessment of the sources of national weakness and has different foreign policy implications.

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Self-pitying, self-righteous and aggrieved nationalism blames China's ills on the transgressions of the outside world. Many intellectuals and midlevel officials, more emotional than reasoned, give voice to such sentiments. They display deep ambivalence toward the outside world, exhibiting both intense scorn and admiration, resentment and appreciation. This nationalism, which is hypersensitive to perceived insults and quick to claim that the outside world owes China a debt, has much in common with the nationalism evident in many developing countries today.

Strident, xenophobic and isolationist nationalism came to the fore in the Boxer Rebellion at the turn of the century and again during the Cultural Revolution. This nationalism seeks to eradicate foreign influence and holds that national salvation must be attained through exclusive reliance upon indigenous virtue, strength and ideas. Xenophobic nationalists attribute Chinese weakness to loss of ideological purity or cultural distinctiveness. While disagreeing among themselves over what the indigenous culture should be, such nationalists concur that the requisite national regeneration can only occur through isolation and rejection of the outside world.

Militant, rigid, assertive and occasionally muscular nationalism was revealed by Chiang Kai-shek in his unswerving belief that Taiwan was part of China and by Mao Zedong in the provocative manner with which he engaged in polemics with the Soviet Union in the mid-1960s. This variant of Chinese nationalism is reflected in irredentist concerns, such as Deng's handling of relations with Vietnam, the primacy attached to Hong Kong and Taiwan in the early 1980s, and in the occasional threats made by both Mao and Deng that the Taiwan issue may have to be settled by force. To varying degrees, assertive nationalists attribute Chinese weakness to external economic exploitation and cultural infiltration but recognize the useful role of the outside world, particularly its technology, in their quest for modernity. They pursue a limited and cautious Chinese involvement in world affairs as they seek to terminate their vulnerabilities and humiliations.

The leaders of modern China have not exhibited the ultra or expansionist nationalism that so many rising powers have manifested, but one should not exclude the possibility that as its military strength grows, China will begin to press more firmly some of its more ambitious foreign policy goals.

Finally, there is the Chinese nationalism that has flourished

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in the mid-1980s. It can be traced to the nineteenth century and to such notables as Zhang Zhidong, who encouraged the importation of foreign technology while preserving the cultural identity of China, and Yan Fu, who urged his countrymen to embark upon a long-term strategy of modernization for purposes of national survival. Although no one or two adjectives adequately captures this nationalism, "confident nationalism" seems to encapsulate its essence. It is a patient and moderate nationalism rooted in confidence that over time China can regain its former greatness through economic growth, based on the import of foreign technology and ideas. It is a calculated nationalism, linked to a strategy for economic and political development. It is also a determined and resolute nationalism, flexible in tactics, subtle in strategy, but deeply committed to the preservation of national independence, the reunification of China (including Hong Kong, Macao, Taiwan and disputed islands in the South and East China Seas) and the attainment of national wealth and power.

The confident nationalists ascribe Chinese weakness to an inadequate industrial base, underdeveloped transportation, poor communications facilities, a poorly trained manpower base and inefficient economic and political institutions. They believe Chinese culture is sufficiently resilient to survive the contacts with the outside world that are necessary to remedy these deficiencies. They welcome extensive relations with the outside world and believe China can help maintain stability in the Asia-Pacific region.

Confident nationalists have not been able to dominate the political stage for long stretches in this century, however, because the Westernization that flourishes under their aegis creates a backlash in China and raises doubts about their real commitment to nationalistic aspirations. Assertive nationalists are quick either to seize upon the failures of their more patient colleagues and argue for a reversal of policy or to fasten upon the successes and argue that the time has come to push for new gains. Thus, while confident nationalism has been ascendant in the mid-1980s, the other forms of nationalism have continued to lurk in the background and could swiftly come to the fore again.

III

The way Deng Xiaoping and his close supporters perceive China's security environment provides the second key to un-

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derstanding their foreign policy. The pattern of interaction among the three powers of principal concern to China—the Soviet Union, the United States and Japan—largely determines the strategic choices confronting the leaders in Beijing. China's posture is perhaps better conceived in terms of an East Asian "quadrangle"—the United States, Japan, the Soviet Union and China—than the more familiar Beijing-Moscow-Washington "triangle." The quadrangular metaphor acknowledges the importance that Deng and his associates assign to Japan. China's leaders seek flexibility and balance within the quadrangle. They wish to develop broad-based relations with the United States, forge extensive economic ties with Japan, and improve and stabilize their basically adversarial relations with the Soviet Union. They balance their slowly growing military ties with Washington with improvements in diplomatic relations with Moscow. They seek to offset their burgeoning economic relations and trade deficit with Japan through a rapid expansion of barter trade with the Soviet Union and Eastern Europe. China's leaders, in short, wish to reduce their vulnerability to or dependence upon any single major power in the Pacific.

This orientation contrasts with earlier approaches. Chinese leaders no longer assert, as in the 1960s, that a chaotic world and intense Soviet-American confrontation serve their interests. Indeed, they have concluded that the worldwide social unrest and revolutionary tide of the 1960s have subsided, and they welcome the stability of the 1980s. No longer do the leaders of every revolutionary movement throughout the world troop to Beijing, to be feted by Chinese officials and lionized in the *People's Daily*. Deng Xiaoping and his associates have abandoned the view that China gains from ever-rising Soviet-American tensions. They now believe that contained rivalry between Moscow and Washington benefits Beijing, but that beyond a certain point the tension is harmful. It fuels an arms race that leaves China further behind and could drag Beijing into conflicts not of its own making.

China's current foreign policy also contrasts with that of the 1970s, when Beijing first leaned toward and then sought an alignment with Washington and Tokyo to counter Soviet military expansion in the Asia-Pacific region. Gone are the expressions of concern that the strategic balance was shifting in favor of the Soviet Union, that the danger of world war was great, but that cooperation among Moscow's adversaries could avert war. Virtually gone also are the dire warnings about the Soviet

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pincer movement southwest from Indochina and southeast into the Indian Ocean, aimed at the Strait of Malacca, which China perceived as a Soviet attempt to sever the key transportation link between Western Europe and Northeast Asia, thereby increasing the vulnerability of each to Soviet pressure.

China's current assessment of the strategic balance is guardedly optimistic. The Chinese now perceive that strategic parity exists between the Soviet Union and the United States and is likely to persist through the rest of the century. This gives Beijing breathing room. As a result, instead of calling for Sino-American strategic cooperation, Beijing now underscores its determination to pursue an independent foreign policy. A favorite formula used by all leaders in public and private is that China will not be subordinate to or ally itself with any superpower. China's determination to carve out an autonomous or distinct role for itself is revealed in several recent developments: the vocal condemnations of President Reagan's policies in South Africa and the Middle East; the welcome given Nicaraguan President Daniel Ortega during his visit last September; the warming of relations with East European countries, as evidenced by the recent visits of East German leader Erich Honecker and Polish leader Wojciech Jaruzelski; and the rapid increase in Chinese arms exports.

This long-term confidence is also revealed in the Chinese approach to military modernization. The percentage of the government budget devoted to military expenditures has decreased in recent years from 15 percent in 1983 and 12 percent in 1984 to ten percent in 1985.[1] Deng and his associates have also announced plans to create a leaner fighting force by reducing the size of the People's Liberation Army (PLA) from roughly four million to three million. Many defense industries are being encouraged to produce for the civilian economy and to earn substantial hard currency by exporting arms as well.

Beijing has not rushed to purchase the foreign military equipment and technology that the governments of Western Europe and the United States have offered to license for sale to the P.R.C. To be sure, some purchases have occurred and others are under negotiation, most notably an American avionics package for China's F-8 fighter. Initial discussions are also under way for additional acquisitions, such as antisubmarine warfare torpedos. Yet Chinese imports of military technology

[1] These official Chinese statistics probably understate defense spending.

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and equipment have moved forward at a more measured pace than some Western observers had anticipated five years ago. China recognizes that the creation of a truly modern military force first requires the training of adequate numbers of scientists and technicians and the creation of the requisite high-technology electronics and metallurgical industries. China cannot afford to purchase the hardware it needs to reduce its military vulnerability to the Soviet Union; instead it is pursuing a long-term strategy to redress the imbalance by developing its industrial infrastructure.

Before elaborating on Beijing's policy toward the Soviet Union, the United States and Japan, it is necessary to reject two common interpretations of the strategy of the mid-1980s derived from the triangular perspective, namely that Beijing seeks a position of equidistance between Moscow and Washington or seeks to occupy the advantageous "swing" position among the three nuclear powers in Northeast Asia.

Chinese rhetoric does support the equidistance argument. Official Chinese statements tend to condemn American and Soviet foreign policies with equal vehemence. If anything, Reagan Administration policies in Latin America and Africa and the Strategic Defense Initiative receive greater criticism than any Soviet activity outside of Afghanistan and Indochina. Moreover, current Chinese press treatment of General Secretary Mikhail Gorbachev's proposed economic reforms and of Sino-Soviet exchanges is quite laudatory. The image of the Soviet Union conveyed in China's official media today is dramatically different from a decade ago. In some respects it is more favorable than the official portrayal of the United States.

But in reality, China has a much more intimate relationship with the United States than with the Soviet Union. Consider: in 1985 trade with the United States totaled $7.7 billion, compared with only $1.9 billion with the Soviet Union (although the gap narrowed in 1986). Nearly 17,000 Chinese students and scholars are in American universities, but not more than 200 were studying in the Soviet Union in 1985. The PLA welcomes American military delegations and naval ships but peers suspiciously across the border at SS-20s, Backfire bombers and advanced MiGs deployed in the Soviet Far East. China's reformers know who threatens them and recognize that seeking a genuine equidistance would entail succumbing to the pressure the Soviet Union has brought to bear.

The second view is that Beijing cultivates better relations

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with Moscow and Washington than the two have with each other in order to derive leverage over both. In this interpretation Beijing seeks to extract concessions from Washington in exchange for not improving Sino-Soviet relations. Certainly the record suggests that Beijing does integrate its policies toward the two superpowers and times its moves toward one in order to influence the other. The Chinese leaders made overtures toward Moscow in 1981–82 at precisely the same time they were pressing Washington not to sell an advanced fighter jet to Taiwan. And the ongoing discussions between Chinese and Soviet deputy foreign ministers as well as the higher-level exchanges at the vice-premier level have probably introduced a more cautious note in American arms sales to Taiwan and encouraged the Reagan Administration to relax controls over technology transfers to Beijing.

But this does not mean Deng and his followers believe they can sustain an advantageous swing position. They apparently understand they could easily overplay their hand. Excessive flirtation with Moscow could raise questions in Washington about China's long-term reliability and thus constrain the flow of Western technology and capital. This may help to explain the cautious and methodical fashion with which Beijing has pursued improved relations with the Soviet Union. Furthermore, Hanoi can prevent Beijing from playing off Moscow and Washington. By stepping up its actions in Cambodia or along its border with China, Vietnam can force a predictably hostile response from Beijing and elicit support from Moscow, thus inhibiting any Sino-Soviet détente. This happened in May 1984, for example, on the eve of a scheduled visit by First Deputy Prime Minister Ivan V. Arkhipov to Beijing.

The concept of the triangle emerged in the late 1960s, at the peak of Sino-Soviet tensions and just as the Soviet military buildup was occurring and the American withdrawal from Vietnam had begun. The metaphor usefully captured the underlying strategic structure and fluidity in East Asia at the time. Since then the Sino-Soviet conventional military balance has deteriorated to China's disadvantage, Japan has fully emerged as an international economic colossus, and three regional powers have demonstrated economic or military vibrancy. South Korea and Taiwan have developed robust modern economies with global reach, and Vietnam, allied with the Soviet Union, is China's military rival in the south. The triangle metaphor simply no longer captures the new complexities that China

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confronts. Responding to the new strategic setting, China's foreign policy of the mid-1980s has become multifaceted.

Soviet Union. The Chinese claim that three obstacles inhibit the normalization of Sino-Soviet relations: the Soviet invasion of Afghanistan, Soviet support of the Vietnamese occupation of Cambodia, and the military buildup in Mongolia and the Soviet Far East. In spite of these obstacles Beijing remains intent upon expanding commercial, scientific and cultural relations with the Soviet Union.

Trade has grown rapidly, from $1.2 billion in 1984 to $1.9 billion in 1985, and well over $2 billion in 1986. The highest-level visits since 1969 occurred in 1984–86, when First Deputy Prime Minister Arkhipov visited in December 1984 (a visit reciprocated by Deputy Premier Yao Yilin in July 1985), and First Deputy Prime Minister Nikolai Talyzin visited Beijing in September 1986. Nine rounds of discussions on improving relations have now been held at the deputy foreign minister level. And a constant stream of official delegations now flows between the two countries. All this occurs despite the lack of significant movement on the three "obstacles" and the continued Soviet military buildup in Siberia and Vietnam. In 1985–86 this buildup included the testing of an improved SS-20; the deployment in the Pacific of an additional VTOL (vertical takeoff and landing) aircraft carrier, a cruiser and two guided-missile destroyers; the basing in Siberia of additional Backfire bombers and the first MiG-29s; as well as the Soviet military buildup at Cam Ranh Bay in Vietnam. General Secretary Gorbachev did promise, in his July 28, 1986, speech in Vladivostok, a thinning of Soviet forces in Mongolia, but even if redeemed, this pledge would do little to alter the actual military balance.

The basic Chinese strategy appears to be to foster a stable relationship in which rancor and personal animus are minimized. Beijing wishes to deprive Moscow of pretexts for returning to the volatile, tension-ridden confrontation of the 1960s and 1970s. Cooperation can arise in those realms where compatibility of interests exists, most notably in trade and cultural relations. But Deng and his followers, especially in the military, have asserted that the adversarial dimensions of the relationship outweigh the constructive elements. Deng's assessment was revealed in his careful response to Gorbachev's July overture for improved Sino-Soviet relations: while not rejecting Gorbachev's offers to reduce tension and expand contact, Deng was quick to note that the Soviet leader had excluded Indochina

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from the areas in which the Soviets were prepared to accommodate Chinese interests. The Chinese approach of the mid-1980s has not been acerbity toward Moscow. Rather, the long-term strategy has been to develop the economic capacity to reduce Sino-Soviet military imbalances while reducing the immediate danger through diplomacy.

Some Chinese leaders (the elderly Chun Yun is frequently cited by foreign observers as a leader of this group) appear to seek more than this—a genuine détente that would alleviate the military rivalry and result in greatly expanded trade. Assertive nationalists also might prefer Soviet economic and cultural influence to disruptive Western capitalistic and democratic ideas, and seek a diminution in Soviet tension in order to press the United States on the Taiwan issue.

United States. In almost every sphere and at every level, China continues to manage its relations with the United States in a steady and methodical fashion. The American military presence in the western Pacific is still welcomed for providing necessary balance to expanding Soviet strength. Sino-American military relations continue to take significant steps forward, highlighted in 1986 by the American licensing of munitions technology and avionics equipment for sale, frequent exchanges between the defense establishments of the two countries (including Secretary of Defense Caspar Weinberger's successful visit in the fall of 1986), a naval pass exercise in the South China Sea, and the long-awaited call on a Chinese port by the U.S. Navy in November. In the educational sphere, the number of Chinese students and visiting scholars in the United States continues to expand. As to commercial relations, American efforts to limit Chinese imports elicited firm complaints from Beijing, but there were no threats of immediate or extensive retaliation. The underlying theme of Chinese policy toward the United States in 1985–86 was to keep the relationship on track.

In several respects, however, Sino-American relations are encountering constraints. Official consultations on such matters of mutual concern as Korea, Indochina and the Soviet Union, while substantial, are not as extensive or intimate as some American officials would like. Trade, which totaled $6.1 billion in 1984, $7.7 billion in 1985 and $5.9 billion for the first nine months of 1986, has not risen as rapidly as with other developed countries. The European Community has now surpassed the United States as the second largest exporter to

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China. The disappointing explorations for South China Sea petroleum reserves have meant that this potential linchpin of Sino-American relations—considerable U.S. involvement in China's offshore petroleum development—is unlikely to fall into place. The Reagan Administration spent some political capital with Congress in 1984–85 in order to elicit its assent to a nuclear technology agreement (eventually approved by Congress in late 1985), only to find little Chinese interest in pursuing purchases. As this example suggests, political will in Beijing as well as in Washington will continue to be required for Sino-American economic relations to continue to expand.

Japan. American observers often underestimate the importance of Japan to China. Both the Japanese government and the private sector have had considerable influence on Beijing's economic development strategy since the early 1970s. To diversify energy sources and secure a market for steel exports, the Ministry of International Trade and Investment and several influential businessmen reached an understanding with Premier Zhou Enlai in 1973 that Chinese imports of whole plants and equipment would eventually be paid for through petroleum exports, with Japan providing the interim financing through low-interest loans. This agreement was reiterated and expanded in the 1978 long-term trade agreement that helped to stimulate the overly ambitious, expansive economic program of the immediate post-Mao era.

That strategy, while flawed in some respects, is beginning to yield results, and Sino-Japanese commercial ties are burgeoning.[2] In fact, China has now become Japan's second largest trading partner. To be sure, the decline in petroleum prices and the failure to discover large offshore reserves in the Bohai Gulf have had a chilling effect, and Japanese investors have not rushed to China. China, to its chagrin, has developed substantial trade imbalances with Japan. Yet Japan has committed $3.5 billion in low-interest loans since 1979 and has become the most important international financial market for China. For example, the Chinese have floated 11 separate bond issues on the Japanese market since 1981. Still, Japanese firms have been reluctant to invest directly, collectively ranking a distant third behind Hong Kong and U.S. firms in investments

[2] This section draws on Nicholas R. Lardy, "Economic Relations Between China and the United States," paper presented to the Joint Economics Committee of the Congress, Dec. 13, 1986, p. 2.

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in China: altogether, Japanese firms have invested a total of $360 million through 1985.

To be sure, resentment of Japan persists among a populace that still recalls the brutality of the 1931–45 invasion and occupation, and Chinese leaders give voice to these memories, as when they protested Prime Minister Yasuhiro Nakasone's August 1985 official visit to the Yasukuni Shrine honoring Japan's war dead. But mostly the reformers have tried to cultivate favorable popular sentiment toward Japan.

The Chinese, however, resist becoming heavily dependent upon Japan, and they see merit in compensating for the major Japanese presence through cultivation of commercial ties with competing West European and American firms and through rapid expansion of trade with the Soviet Union and Eastern Europe. The Chinese are ambivalent about the future strategic role of Japan in East Asia. While expressing some apprehension about resurgent Japanese militarism, many strategic thinkers, at least, acknowledge that Tokyo must assume an increased defense burden to balance Soviet strength. They believe that this must be done under an American aegis and that any defense buildup must be strictly delimited. In sum, they believe Japan must assume a larger role economically and militarily in sustaining stability and prosperity in the region.

IV

Perhaps the most dramatic aspect of Beijing's foreign policy calculus is the opening to foreign investment and the rapid increase in foreign trade. Total trade soared from $15 billion in 1977 to $70 billion in 1985. Foreign direct investment in China in 1984 and 1985, according to one careful observer, exceeded that in any other developing country.[3]

The Chinese media project a glowing image of foreign investment and trade. The Chinese claim that 2,300 joint ventures have been established since 1975, representing an external commitment of $6 billion. In reality many of the agreements are not joint ventures in the precise sense of the term, but entail various forms of cooperation. Moreover, the value of foreign commitments cited by the Chinese includes estimates of transferred technology and of optional, future investments and therefore overstates the actual capital flow.

[3] *Ibid.*

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In 1984–86, China's turn to the outside encountered several difficulties. Despite a continued, robust expansion in exports (up 15 percent in the first three quarters of 1986 over 1985), China still faces a severe trade deficit. The trade deficit for 1986, which is likely to total $9–10 billion, represents the third year of significant imbalance, in spite of substantial efforts to curb imports. The result has been a rapid draw-down on foreign currency reserves and the accumulation of foreign debt. Compounding the problem, the drop in world crude petroleum prices cost China roughly $3 billion in foreign exchange earnings in 1986; in 1985, China had earned nearly $6 billion in petroleum exports.

The major, long-term problems, however, were not just the trade deficit or foreign indebtedness; indeed, at China's level of development, prudent borrowing makes sense. Rather, the issues were whether the nation was using its assets to purchase such items as automobiles and consumer durables instead of much needed capital goods, and at what point China would reach the limits of prudent indebtedness. On these counts, many Chinese and Westerners offer sober analyses. A considerable portion of imports have met only nonproductive consumer demand. At the current level of trade deficits, China could reach the limits of a reasonable trade imbalance in less than a decade.

Furthermore, many foreign businessmen in Beijing were beginning to weary of the problems they confront: inconsistent legislation, arbitrary bureaucrats, red tape, high costs and problems in repatriating earnings. As a result, the rate of foreign investment slowed in 1986, posting a decline for the first time since 1979. Nor has the Chinese government been able to attract as many low-interest loans from international financial institutions and developed countries as it had hoped.

These mounting problems did not visibly discourage China's reformers in 1985–86. They adopted stringent measures to reduce imports and to establish control over expenditures of foreign currency. Their actions were generally endorsed by influential foreign advisers, who felt that the People's Bank and the Ministry of Finance needed to improve their ability to use monetary and fiscal controls to regulate the economy. The Chinese in 1986 applied to join—the Chinese would say rejoin—the General Agreement on Tariffs and Trade, and prepared for the difficult negotiations over their tariff and nontariff barriers, export pricing policies, and so on. They antici-

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pate that these negotiations will be protracted. Some foreign observers detect a grudging but growing government willingness to compensate for trade deficits and lagging foreign investment by borrowing at commercial rates for key development projects such as power plants. To improve the business climate the State Council enacted additional measures to facilitate foreign investment in export-oriented and high-technology enterprises.[4] Finally, to underscore their commitment to internal economic reform, the reformers invited several distinguished American delegations to consult on how to organize capital markets in Chinese cities.

V

Chinese interests have long been vitally engaged in Korea, Indochina and Taiwan, and Beijing's current policy toward each exhibits the long-term objective of increasing Chinese influence through a combination of carrot and stick.

Korea. Nowhere is the confident Chinese foreign policy of the mid-1980s more evident than in Korea, where Beijing is engaging in substantial and only thinly disguised indirect trade with the South at some risk to its close relationship with the North. Trade with the South was estimated to total $600 million in 1985, according to Japanese sources, with a substantial increase expected in 1986. South Korean businessmen who hold U.S. identification regularly visit Beijing. The improvement in Beijing-Seoul relations is evident in other ways, including China's eager participation in the Asian Games held in Seoul last fall and the Republic of Korea's handling of recent airplane hijackings and defections from the People's Republic.

Meanwhile, the Chinese continue to court North Korea's Kim Il Sung through high-level visits and rhetorical support, although the formulations concerning American troop deployments and support for unification are more constrained than in the past. Perhaps as a result, Soviet influence in the North appears to be growing. The Soviet Union for the first time has supplied Pyongyang with MiG-23s, and Soviet reconnaissance planes have begun to use North Korean airspace to gather intelligence on China.

Given the crucial role that Korea plays in Chinese national security considerations, it seems likely that Beijing has carefully

[4] *Beijing Review*, Oct. 27, 1986, p. 26.

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calculated its policy on the peninsula. There is concern in Beijing about the North's drift toward Moscow, but Chinese leaders seem to have concluded that either the proud and nationalistic North Koreans will not permit the Soviet Union to achieve a dominant position in the North or that the Soviet Union will not provide Kim Il Sung the backing he seeks. In recent contacts between the Soviets and the North Koreans, including Kim Il Sung's October 1986 visit to Moscow, the North Koreans did not appear to secure the extent of support that they had sought. As a result of these considerations, China is willing to continue its current two-track policy toward the North and the South.

Indochina. Persistence in the face of obstacles and setbacks characterizes Chinese policy in Indochina. Vietnam continues to permit a growing Soviet military presence in exchange for military support for its occupation of Cambodia. The Sino-Vietnamese border remains tense, and Hanoi must continue to deploy forces there against the threat it perceives from the north. In Cambodia, resistance forces backed by China, the United States and Thailand have become a disruptive force with staying power, but they are unlikely to acquire sufficient force to dislodge the Vietnamese. To date, the increased pressure on Vietnam has only added to its dependence upon Soviet assistance.

But China's leaders apparently believe that at some point the Vietnamese leadership will adjust its policy. Either Soviet support will diminish (perhaps due to Soviet desire to improve relations with Beijing), or the new generation of Vietnamese leaders will seek to reduce their military burdens in order to focus on their domestic economy. The changes in Vietnam's leadership announced at the December congress of the Vietnamese Communist Party do not indicate that Vietnam is prepared to seek a rapprochement with China, but they do suggest that Hanoi is increasingly aware of the need to modify some of its domestic policies in order to alleviate its current economic difficulties. The result could be a more flexible Vietnamese government, not necessarily friendly to China but willing to temper some of its immediate ambitions. At that point, a neutral government might become viable in Phnom Penh. Until then, China appears determined to resist Hanoi's efforts to consolidate its dominance over Indochina.

Taiwan. When China assumes sovereignty over Hong Kong in 1997, its relations with Taiwan will enter a new phase. Thus

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far, Taipei, although tolerating indirect trade and scientific exchanges, has been unwilling to engage in direct economic, cultural or political exchanges with the mainland. (The negotiations over the return of a plane hijacked to the mainland last May were a noticeable exception.) Unless the authorities on Taiwan terminate trade, transportation and tourism with Hong Kong after that date—an unlikely development—direct contact between Taiwan and a portion of the People's Republic will begin. And the question will then arise in Taipei: If direct contact exists between the Hong Kong portion of the People's Republic and Taiwan, why not permit such contact with other portions? As leaders tend to base current behavior on future realities, the known future of Hong Kong is already affecting Taiwan-mainland relations. Namely, although Taipei has not responded to Beijing's call to permit trade, transportation and tourism, in reality these contacts are now occurring. From Beijing's vantage, the next step in the peaceful evolution of relations between Taiwan and the mainland has already begun.

The P.R.C. recognizes that problems could arise. Failure to manage the Hong Kong transition well would call into question Beijing's ability to reach a credible political accommodation with Taiwan. A very high level of American military sales to Taipei could prompt the authorities on the island to disdain the mainland. Democratization and weakening of Nationalist Party (Kuomintang) control in Taiwan could erode the island's commitment to "one China." Particularly worrisome to Beijing are the calls of the new Democratic Progressive Party in Taiwan for "self-determination." But most leaders in Beijing appear to believe that these problems can be managed and that their peaceful, patient strategy for reaching an accommodation with Taipei will continue to elicit a limited, acceptable and growing response.

VI

Chinese foreign policy since the establishment of the People's Republic has not been particularly consistent. While many observers would point to continuities in objectives and strategy, nonetheless Beijing did lean to the Soviets in the 1950s, glorified its isolation in the 1960s, and appeared to be headed toward an alignment with the United States in the 1970s. The key question, in light of the previous twists and turns and the leadership instability exhibited in January 1987, is whether the "confident nationalism" of the mid-1980s is likely to persist.

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The answer, in part, is to be found in the factors that had come together by 1984 and had helped produce the current orientation toward the outside world.

First, the August 17, 1982, communiqué between Beijing and Washington limiting U.S. arms sales to Taiwan and the September 1984 joint declaration with Britain on Hong Kong's future at least temporarily reduced the pressure on Deng from the assertive nationalists among the leadership. Having demonstrated his own commitment to core nationalistic aspirations, Deng gained time to pursue a more measured pace in determining how the Hong Kong and Taiwan issues are ultimately resolved.

Chinese officials believe that changes in the Soviet-American military balance in Washington's favor and in the Soviet condition have presented Beijing with greater flexiblity. In the early 1980s China's leaders concluded that the Soviet Union was heavily burdened with a laggard domestic economy, the war in Afghanistan and assistance to its Vietnamese, Cuban and various African clients. Moreover, the American military buildup of the 1980s poses new and severe challenges to Moscow in Europe and in its development of strategic and defensive weapons. Thus, although the Soviet military posture in the Asia-Pacific region has improved, its ability to exercise leverage and its interest in doing so have at least temporarily diminished. China has determined that there is less immediate need than in the late 1970s to seek an alignment with the United States and Japan against the Soviet Union.

China's economic success at home also has produced a greater confidence. During the severe retrenchment of 1980–82, brought on by government deficits, trade imbalances and high inflation, a mood of uncertainty seemed to grip China's leaders. But in the mid-1980s, the reformers confronted similar problems with greater steadiness.

This steadiness extended to their foreign policy, where they concluded that on many issues, time is in their favor. Would it really be possible for Taiwan, for example, to remain aloof and refuse direct commercial contact with an increasingly prosperous mainland? Could Vietnam pursue an intensely anti-Chinese foreign policy as its northern neighbor gradually modernizes its military and expands its commercial relations with the Soviet Union? Would not Japan and the United States remain attracted to a China that promises to open gradually its economy?

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Confidence among the leaders in their economic future, in short, prompted confidence in their foreign policy.

Another important development helps explain the evolution in Chinese diplomacy. The Chinese foreign policy establishment is much better informed today than a decade or even five years ago. The cumulative effect of foreign travel, the steady stream of foreign leaders and strategic thinkers to Beijing and the outpouring of translated materials has been a more realistic sense of world affairs. To be sure, not all officials have benefited equally from the exposure to the outside world, and in some respects the increased sophistication and awareness is superficial. Nonetheless, to a considerable extent the pragmatism and practicality of Chinese external conduct stem from the greater awareness of international currents and domestic politics in foreign countries. (The reduced ideological rigidities at home also enable Chinese diplomats and scholars to provide more honest reporting.)

Two examples illustrate the point. Drawing upon Western analyses and their extensive reading of the Soviet press, China's Soviet specialists have developed an informed and broad-based perspective on the Soviet Union, which they convey to their leaders via numerous journals not ordinarily accessible to foreigners.[5] Similarly, the Chinese image of the United States has evolved considerably.[6] In the Mao era, China's America specialists portrayed the United States in rather crude Marxist categories: American politics involved a struggle among a few competing financial cliques, and the government was an instrument of the capitalist class to oppress the workers. By the mid-1980s, the leading America watchers accepted a pluralistic interpretation. They consider the clash among interest groups and bureaucratic politics to be at the heart of the American system. China's top officials follow changes in the Senate or upcoming presidential elections with some understanding. To be sure, the role of Congress in the making of American foreign policy continues to perplex the Chinese, and they still lack the savvy of other East Asian leaders in using the American system and legal structure to advance their interests. But the Chinese are much less likely to overreact to pro-Taiwan or anti-P.R.C.

[5] Gilbert Rozman, "China's Soviet Watchers in the 1980s: A New Era in Scholarship," *World Politics*, July 1985.

[6] David L. Shambaugh, "Coverage of the United States in Key Chinese Periodicals During 1984," report of the Office of Research, United States Information Agency, December 1985.

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rhetoric from marginal American politicians; their diplomacy has become somewhat more attuned to the American style.

Another factor producing "confident nationalism" is the generational succession now under way. Revolutionaries are yielding power to bureaucrats who matured within the communist system. The revolutionaries' searing experiences were the struggle against Chiang Kai-shek and his Nationalist regime, the war against Japan and the positions of privilege that imperialists had carved in China. Their lives were dedicated to terminating the national humiliation, to reunifying the country and to establishing China as an equal in the world. No less nationalistic than their predecessors, the post-revolutionary generation (now aged 45–55) is rapidly coming to the fore. Its searing experiences, in turn, were the disasters of the Great Leap Forward (1958–60) and the Cultural Revolution and its aftermath (1966–76). This generation appears less interested in heroics and immediate gratification on the international scene and more preoccupied with stability and economic growth at home. While they matured during the Sino-Soviet alliance and then the Sino-Soviet dispute (and hence relations with Moscow appear to loom large in their minds), they seem to be a more technically proficient generation who feel that valuable time was wasted in the Mao era and are eager to get on with the task of national development, however it can best be done.

VII

Thus several sources of current Chinese foreign policy go well beyond Deng Xiaoping. Some of the factors—generational change and greater awareness of world affairs—are nearly irreversible. Other factors—particularly the mood of confident nationalism—are directly attributable to Deng, but his putative successor, Zhao Ziyang, appears to partake of the same intellectual tradition.

Uncertainties exist because a wide range of developments could call into question one or more of the considerations on which current policy is based. The global economy, the Soviet-American military balance, Japanese economic policy and popular opinion in Hong Kong and Taiwan, for example, are not within the control of the leaders. Developments in any of these areas would necessitate modification in Chinese foreign policy.

Domestic developments could also have an impact on foreign policy. The reform program could encounter severe difficul-

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ties, causing a loss of confidence and optimism among the leaders and the populace, and some aspiring figures could begin to espouse an alternative form of nationalism as a strategy for gaining political support.[7] Signs of popular discontent, such as the student protests that erupted on the nation's campuses in December, could strengthen the hands of those leaders who are cautious about the opening to the outside world. Less confident than the current leaders that China can withstand corrosive external ideas, they would argue that the student unrest is partly a product of harmful Western influence.

Foreign trade and investment could continue to fall short of expectations, especially if protectionist impulses grow abroad or economic growth in the developed world becomes sluggish. As a result, the Soviet Union and Eastern Europe would become more attractive trading partners, and the incentives for reforms to make the economy more attractive to Western businesses would be reduced. The current favorable orientation to the West, in short, would be weakened.

Conversely, the continued Soviet military buildup in East Asia and the Pacific could eventually propel renewed, open calls for strategic cooperation among China, the United States and Japan. China's nonprovocative policy toward Moscow has not had a discernible impact on Soviet military deployments but has only reduced border tensions. One could envision circumstances that would prompt the Chinese leadership to conclude that their current tack is simply not producing desired results and to seek closer alignment with Tokyo and Washington. For example, the Chinese could conclude they had to compensate for increasing Soviet influence in North Korea by pursuing their contacts with the South more vigorously.

Further, the emotional Hong Kong or Taiwan issues could force themselves onto Beijing's agenda, not through mainland desire but through activities of the populace in these two locales. For example, as 1997 approaches, the people of Hong Kong could spontaneously demand a role in their future governance. Should Beijing ignore such pleas and attempt to quell a popular movement, it would call into question its commitment to the "one nation, two systems" formula. But failure to act

[7] For two recent assessments of the prospects for the internal reforms, see A. Doak Barnett, "Ten Years after Mao," *Foreign Affairs*, Fall 1986; and Michel Oksenberg and Kenneth Lieberthal, "Forecasting China's Future," *The National Interest*, Fall 1986. Both assessments are cautiously optimistic about the potential for economic growth and reform.

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probably would disenchant the assertive nationalists in Beijing. Similarly, the Taiwan issue remains a potential source of trouble should the United States not adhere to the arms sales agreement or should political developments on Taiwan weaken the commitment of the authorities there to a "one China" policy.

This recitation of possible sources of change suggests that the foreign policy of the mid-1980s almost surely will evolve. Until late 1986, the foreseeable developments appeared likely to induce only evolutionary change, not sweeping reappraisals of policy as in the past.

But then, in early 1987, it seemed that leadership instability and a change in the brand of nationalism the leaders espoused could bring about a more significant swing in foreign policy. The succession arrangement that Deng Xiaoping had so carefully nurtured for the past six years went awry, and in January, Deng's previously anointed successor, General Secretary Hu Yaobang, abruptly lost his office, allegedly for not handling the student protests well and for other unspecified errors. (He remained on the standing committee of the Politburo.) Premier Zhao Ziyang became the acting general secretary, and Deng Xiaoping vigorously cracked down on advocates of "bourgeois liberalism" and "complete Westernization." In response to the student calls for democracy and meaningful elections, the official media began to flail the American political system as a "sham democracy."

A high price has been paid for these changes. An orderly succession is not in sight. The transfer of Premier Zhao to head the party apparatus undercut the long-standing effort to separate the party from the government, a principal aim of the reforms. The hastily called expanded Politburo meeting that dismissed Hu was attended by a substantial number of party elders who had allegedly retired. This detracted from Deng's repeated call for orderly procedures at the apex of power. And Deng Xiaoping, after withdrawing from daily involvement in political affairs, has returned to the forefront of political battle.

To be sure, the extensive ties which now exist between China and the outside world make it unlikely that China will revert to its Cultural Revolutionary isolationism and zealotry. And Deng Xiaoping has demonstrated a remarkable capacity to pursue reform and an opening to the outside world during the past eight years. Nonetheless, the anti-Western sentiments expressed in early 1987 and the lashing out against intellectuals

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suggest that assertive nationalists and even xenophobes are once again coming to the fore. The fate of China's reform effort appeared to some to be hanging in the balance. Zhao Ziyang to date has revealed himself to be a confident nationalist, and the announcement of the demotion of Hu Yaobang also stressed that China's current foreign policy would remain unchanged. To make this pledge convincing, Deng Xiaoping must re-establish an orderly succession arrangement and place limits on the attacks against Westernization.

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Sandra Burton

AQUINO'S PHILIPPINES: THE CENTER HOLDS

In a year of setbacks for U.S. foreign policy, the peaceful transition of power in the Philippines was a major success story. The ascension of Corazon Aquino to the presidency, with the help of breakaway reformist elements of the Philippine Armed Forces and millions of Filipinos who heeded the call of the country's Roman Catholic primate to take to the streets in their support, was a rare victory for democracy. In a world where popular revolutions have tended in recent years to catapult religious zealots or Marxists to power, Aquino's triumph in ousting one of the world's most durable dictators infused that heretofore moribund slice of the ideological spectrum—the political center—with new dynamism.

II

Credit for the virtually bloodless uprising against President Ferdinand Marcos belongs to the Filipino people, who were jolted out of long indifference to the loss of their freedoms under martial law by their outrage over the assassination on August 21, 1983, of the president's chief rival and most popular potential successor, former Senator Benigno Aquino, Jr. Nearly two million mourners joined Aquino's funeral procession, and for the next three years the streets of major cities echoed with the chants of anti-Marcos demonstrators.

The Reagan Administration had stood squarely behind Marcos through successful negotiations to renew the bilateral agreement assuring continued operation on Philippine soil of America's largest overseas military bases. Suddenly it was faced with a major policy dilemma. In September 1983 President Reagan canceled a planned visit to Manila, albeit reluctantly. The State Department scrambled to reinforce the efforts of the non-communist Philippine political opposition to resist a

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communist-led boycott of the May 1984 National Assembly election and to establish an independent citizens' organization to police the polls against anticipated fraud on the part of Marcos' party, the New Society Movement.

The failure of the boycott to diminish nationwide voter turnout significantly, and the success of the moderate oppositionists in winning one third of the seats in the legislative body, indicated to U.S. policymakers that the vast majority of Filipinos still believed that change was possible through democratic means. Accordingly, Washington intensified its efforts to prepare for the post-Marcos period by pressuring the regime to democratize repressive institutions and by broadening contacts with newly victorious opposition leaders, disenchanted military officers and increasingly politicized members of the business and professional communities.

In late 1984 a National Security Decision Directive drafted by the Department of State formalized those efforts. In the first comprehensive redefinition of U.S. policy since martial law was declared in 1972, the U.S. government clearly targeted the enemy as the Communist Party of the Philippines, together with its military and political wings, the New People's Army and the National Democratic Front. Containment of the insurgency, rather than human rights violations or other shortcomings of the Marcos regime, thus became the consistent justification for the reforms pressed on Marcos by the Reagan Administration. However, a careful distinction was made by the United States between true communist sympathizers and those anti-Marcos nationalists whom Marcos routinely accused of being subversives. The latter were regularly invited to luncheons at the residence of U.S. Ambassador Stephen Bosworth and included on the agendas of visiting officials from Washington, to the considerable annoyance of, for one, Imelda Marcos, the ambitious wife of the president.

While the State Department blueprint identified the ailing and increasingly isolated Marcos as part of the problem, its authors were loath to repeat the mistakes made by the Carter Administration in Iran. Thus, they took care not to suggest his ouster as long as Imelda Marcos and the blindly loyal armed forces chief of staff, General Fabian Ver, were positioned to seize power during the chaos that would inevitably follow his downfall.

The process of setting the stage for the succession was not yet complete by November 1985, when Marcos made the fatal

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mistake of calling a snap presidential election more than one year ahead of schedule. Partly in response to U.S. prodding, a revitalized political opposition had been set up and mechanisms designed to select a common candidate. Meanwhile, the military reform movement, which official U.S. visitors never failed to praise in Marcos' presence, had gained a toehold inside the Armed Forces of the Philippines. It was these two groups, supported by the most powerful nongovernmental institution in the republic—the Roman Catholic Church—that would ultimately accept Marcos' electoral challenge and wrest a fraudulent victory from him.

This was one of those rare occasions when a U.S. policy composed in the midst of an ongoing crisis was able to draw strong support from both sides of the congressional aisle and from the Pentagon. Its implementation was entrusted to diplomats and bureaucrats who were thoroughly familiar with the country, its problems and the key players. Together they issued criteria for what would constitute free and fair elections and dispatched a team of official American observers to monitor the polling of votes. At first President Reagan was unprepared to acknowledge the glaring anomalies of intimidation and fraud perpetrated by the Marcos forces on election day, February 7, 1986, and in the subsequent counting of the ballots. He was quickly set straight by on-the-spot reports from diplomats and intelligence sources in the Philippines, as well as congressional and State Department emissaries fresh from the scene. "Once the administration moved to support Cory Aquino, it received the strongest bipartisan support in a foreign policy crisis in the past decade," said Richard Holbrooke, former assistant secretary of state for Asian and Pacific affairs, after Marcos had been airlifted from his besieged palace and transported to Hawaii by the U.S. military.

III

Corazon Aquino came to power not only because she was the widow of Benigno "Ninoy" Aquino, but also because she was not a professional politician. From the moment her husband was slain, she became a symbol of protest against the crimes of the Marcos regime. Because she was perceived as but a simple housewife, she became a figure around whom the ambitious and ideologically incompatible leaders of the fragmented anti-Marcos movement could rally. Fortunately, as she proved once she became the common presidential candidate of

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the opposition, she was up to the job. A fearless campaigner, inspiring speaker and determined consensus-builder, she was blessed with nerves of steel, an innate sense of confidence in the people from whom she drew her strength, sharp political instincts and a superb sense of timing.

Her campaign against Marcos was viewed both inside and outside the Philippines as a modern Third World morality play, pitting the forces of justice and freedom against those of graft and repression. The only charge lobbed by Marcos which seemed to find its mark was that she was soft on communism. Doubts about whether she was tough enough to deal with the guerrillas grew to the point where the powerful Roman Catholic Church was drawn into the electoral fray to remind the faithful that her piety, like that of the Filipino people, rendered her impervious to the blandishments of a godless ideology.

When she was robbed of probable victory in the counting of the ballots, the Catholic Bishops Conference of the Philippines convened to assess the election. One week after the election the churchmen rendered their judgment that a "government that assumes or retains power through fraud has no moral basis to govern." When computer operators engaged by the government Commission on Elections to tabulate returns walked out, protesting that votes for Aquino were not being tallied, they were extended protection by the Archbishop of Manila, Jaime Cardinal Sin, and by reformist military officers. Then, on February 22, Defense Minister Juan Ponce Enrile and Acting Armed Forces Chief of Staff Lieutenant General Fidel Ramos staged a revolt against Marcos. This rescued the election for Aquino, and many hailed it as a victory for both might and right.

Auspicious as the advent of the Aquino government was, however, the fact remained that the so-called four-day revolution neither kicked out all the rascals nor vested the new leaders with the wisdom to rebuild quickly an economy saddled with a $26-billion foreign deficit or bring an end to the 17-year-old communist insurgency that affected the lives of Filipinos in 20 percent of towns and villages throughout the archipelago. Given the magnitude of the problems and the lack of experience of the woman who was expected to solve them, American policymakers wisely tried to cap their expectations. They knew that the hard part lay ahead, though there was once again at least some room for hope. "With Marcos we had only an end,"

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said a U.S. embassy official in Manila. "With these people we have a beginning."

Aquino arrived in office with what was not so much a platform as a set of beliefs. One was her religious conviction but the other, just as strong, was a belief that people who are free to choose what is best for them will choose peace and freedom and democracy over communism. At the same time, she knew that those who live in poverty, as some 60 percent of her countrymen do, or under threat from guerrillas, as is the case in almost all of the nation's 73 provinces, are not free to choose. Therefore, economic assistance and pacification of the countryside were just as essential to the viability of her recovery programs as the restoration of human rights, the one area in which her administration has already succeeded.

She entered public life not as the leader of a strong party with a mandate to implement specific programs, but as the unifying force within an unlikely coalition of center-to-left parties and cause-oriented groups, which was joined at the eleventh hour by defectors from Marcos' military, led by Enrile and Ramos. Deprived of a transition period by the suddenness of Marcos' departure, the new government, not surprisingly, lacked a clear and coherent plan of attack on the problems with which it was confronted.

Had the largely psychological war between rebel officers and Marcos loyalists lasted longer than four days, Ramos and Enrile might well have wielded considerably greater influence over the transitional government which they urged Aquino to establish. But the tables were turned on them when Marcos was airlifted out of his besieged palace the very night that Aquino was inaugurated. The civilian leadership moved quickly and shrewdly to begin fulfilling its campaign promises to release political prisoners and restore the writ of habeas corpus—hardly top priorities of the new Armed Forces of the Philippines.

Before objections could be raised, President Aquino had taken charge and named a cabinet. Although it was primarily moderate in composition, important portfolios were given to several left-leaning human rights lawyers who had supported and defended Ninoy Aquino when he was Marcos' most prominent political prisoner, and Ramos and Enrile were the prime enforcers of martial law. The military and civilian elements of the de facto coalition government were bound to clash even-

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tually, given their adversarial roles in the past and their dual claims of credit for the overthrow of Marcos.

IV

The hotline linking Enrile and the office of the president went cold by summer. The military found itself reacting to memos sent not by Aquino but by her executive secretary, Joker Arroyo, a human rights lawyer who had represented numerous victims of military abuse in the past. The top brass resented what was regarded as his anti-military bias and objected to being shut out of discussions about preliminary peace negotiations with the communist insurgents.

The smoldering bitterness between the military and leftist ministers flared into the open following the aborted Manila Hotel coup on July 6, 1986, when Marcos' vice-presidential running mate Arturo Tolentino attempted to establish an alternative government. President Aquino's closest advisers accused Enrile of having advance knowledge of dissident troop movements. Shortly thereafter Enrile began to criticize publicly the competence of the civilians named to explore peace talks with the communists and even to question the legitimacy of the Aquino government, which had abolished the 1973 constitution fashioned by Marcos and appointed a committee to draft a new one.

For the next four months the jockeying for influence between the military and civilian components of the Aquino government dominated the news in the newly unfettered press. The power struggle that was played out on the nation's front pages drained energy and diverted attention that might better have been focused on the monumental tasks of reducing the gap between rich and poor—the widest in Southeast Asia—and moving decisively to stem the only expanding communist guerrilla movement in the region. Highly publicized rumors of an imminent coup by frustrated officers identified with Minister Enrile also frightened investors away from channeling badly needed foreign exchange into the ravaged economy.

The talk of a coup built toward a climax in early November, on the eve of the president's state visit to Japan. Before she left, Aquino declared, "I shall oppose any attempt from any quarter to interfere with or dictate to my government." She threatened to call her supporters into the streets in a second display of "people power" if necessary. In an effort to defuse the crisis, General Ramos urged disgruntled officers to present

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their grievances to the president in writing and give her an appropriate period of time to respond. They agreed, and immediately upon her return from Tokyo Ramos forwarded a respectful but pointed bill of particulars calling for replacement of certain of her ministers, restoration of a central role to the military in drafting the strategy to be used against the communists, and the setting of deadlines for cease-fire talks with the rebels.

With coup rumors still making headlines, Aquino met privately with each of the service commanders to try to gauge the depth of their discontent and to discuss what should be done. Then she summoned General Ramos for a long meeting, which she termed "the frankest" they had ever had. The two apparently agreed on measures to pacify the military and bring an end to the infighting so that the government could speak with one voice as it prepared to begin peace talks with the rebels.

The following day, November 22, Ramos acted on the pretext that Enrile was planning to lead a group of former pro-Marcos assemblymen to occupy the National Assembly and declare the Aquino government illegitimate. He set up roadblocks around the National Assembly building in a remote area of the capital and ordered troops to ignore commands issued by Enrile. On Sunday morning, November 23, Aquino asked for the resignations of her entire cabinet and pointedly accepted Enrile's. She subsequently balanced the ouster of her outspoken defense minister with the firings of four ministers targeted by the military for corruption and leftist sympathies.

Aquino's well-timed action was widely applauded. Her coalition government was now less broadly based, but it was more stable without some of its most controversial members. Enrile was now free to move into open opposition, and Aquino was free to continue with two major initiatives: a truce with the communist insurgents and a campaign to gain approval of the new constitution in a national referendum. After Enrile's ouster, the new defense minister, Rafael Ileto, told a group of Manila businessmen: "We will endeavor to observe only one policy line in matters of national security." He added that the military "fully supports the peace initiatives of President Aquino" and promised to "always uphold civilian supremacy."

Nonetheless, the military's direct intervention in civilian affairs for the second time since February 1986 signaled a new balance between the military and the civilian government. By working quietly behind the scenes, the inscrutable Ramos had

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achieved what the flamboyant Enrile had vainly sought: veto power, albeit limited, over the president. One reformist officer identified with Enrile called the turn of events "a new precedent for military intervention in civilian affairs." Ramos, a military professional and a political pragmatist, was known to share some of the plotters' complaints, but he also appreciated the value of a popular leader like Aquino and therefore was determined to effect a compromise. Said Edgardo Angara, president of the University of the Philippines and a middleman in earlier efforts to effect a reconciliation between Aquino and Enrile: "The military will have a more influential voice in government."

V

On November 27, four days after replacing Enrile, Aquino seized the initiative by concluding a 60-day cease-fire with representatives of the rebels. Formal talks to reach a truce had begun in August between Philippine government negotiators Ramon Mitra, Jose Diokno and Teofisto Guingona, and National Democratic Front leaders Satur Ocampo and Antonio Zumel. The cease-fire began on December 10, to run two months, through the referendum on the constitution. On December 23, the government and the communists' representatives began substantive peace talks. At year-end the truce, though shaky, was holding.

A 47-member constitutional commission set up by Aquino in June had approved its final version of the new constitution, which will be submitted to a national plebiscite on February 2. The first landmark along the road to long-hoped-for stability, the plebiscite has been turned into a vote of confidence in President Aquino, who would serve a full six-year term if the charter is ratified. The new constitution establishes a U.S.-style system of government while greatly reducing the presidential powers that Marcos had decreed for himself. A second landmark will follow in May 1987, when elections for a bicameral legislature will be held. A third will be reached in August, when thousands of provincial governors and local mayors will be elected to fill positions currently held by highly controversial Aquino loyalists, who were appointed as "officers-in-charge" to replace the pro-Marcos officials who were in office when the government changed.

On both the issue of the new constitution and the issue of negotiating with the insurgents, Enrile will lead the challenge

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to the Aquino government as the de facto leader of the new political opposition. He is likely to exploit pockets of discontent in northern Luzon, home of both himself and Marcos, and on the embattled island of Mindanao, where Christians and Muslims alike oppose the charter's provision for granting only limited autonomy to predominantly Muslim provinces.

"Now we shall see who are the fascists," commented Enrile, as he launched his campaign against the constitution and prolonged negotiations with the communists in a series of public rallies across the country. Although Enrile's own presidential aspirations tend to color his credibility in criticizing Aquino, a serious issue lies at the heart of his dissent over government handling of national security matters. That is the question of how much time should be allowed to pass before the cease-fire talks reach what most observers foresee as their inevitable breakdown and the military is called upon to resume fighting the insurgents.

He fears that if the government and the National Democratic Front negotiators seek to string out the peace talks until after the upcoming elections, the seeds of a de facto coalition government will already have been sown, because local politicians in communist-infiltrated areas will have to obtain the support of the rebels to win office. He argues for a resumption of military action now, "while our resources are still capable of dealing with the situation without depending too much on the U.S." He adds, "We do not want to place ourselves in the position of Vietnam, Laos and Cambodia, to the point where they became involved in the politics of the U.S. and then when it was no longer tenable for the American government to support them, it pulled out and they were captured by the Marxist movement."

The government has already acted to meet that argument by declaring the rebel negotiators' demand for a coalition government "non-negotiable" and by separating the upcoming congressional election from the local contests, in which communist gains in areas of heavy infiltration are more to be feared. The prospect for renewing the current cease-fire after it has lapsed in February appears dim.

Given the seemingly irreconcilable differences between the two sides, it is more likely that the current round of talking will be followed by a resumption of shooting, at least in certain regions. Ileto has intimated that he is considering the same sort of divide-and-conquer strategy against the rebels as was em-

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ployed against the Huks in the 1950s and the Muslims in the 1970s, stating that the government is prepared to grant regional cease-fires if the nationwide peace cannot be maintained. Meanwhile, Ileto, a highly respected West Pointer who is known for his expertise in counterinsurgency, pleads for patience and good faith. "The cease-fire is a test of our faith in democracy and the potential success of the Aquino leadership to build a just society and attain an honorable peace," he says.

VI

Just as important a test for the government is its ability to pre-empt the insurgents' promises of nationalized industry and radical redistribution of land and wealth, which have fallen on fertile ground, especially in the rural areas where 70 percent of Filipinos live. Aquino's technocrats have drafted a blueprint for economic recovery entitled "Policy Agenda for People-Powered Development," which proposes to harness the forces of capitalism to raise rural incomes, provide jobs and rekindle consumer demand that would eventually stimulate a revival of flagging industry.

As the year ended, the government was preparing to launch its long-delayed program of economic development measures and rehabilitation centers designed to spark economic recovery and give non-hardcore members of the New People's Army incentive to surrender their firearms and shift their struggle from the hills to the political arena. The attendant infusion of resources into the countryside only weeks before the February 2 referendum on the new constitution prompted charges that the program was nothing but the old-fashioned political pork barrel, which was by tradition served up to voters on election eves.

During the last years of the Marcos regime and the early months of the new government, the Philippine economy had shrunk by 12 percent, as investment dried up and annual service on the country's $26-billion deficit consumed 37 percent of its foreign currency earnings. As thousands of jobs were lost in urban industry, many of the unemployed returned to their family homes in the provinces, where incomes were already suffering from depressed world prices of Philippine commodities like sugar and coconuts. The first update on family income to be published in ten years revealed that 60 percent of all families are living below the poverty line of $120 per month.

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Taking an opposite tack from the export-driven growth strategy that was so successfully pursued by the Philippines' East and Southeast Asian neighbor states but failed when applied by Marcos, the country's new economic planners are counting on a $200-million program of public spending to create one million jobs by the end of 1987. They propose such labor-intensive development projects as schools, irrigation projects and roads, primarily in the rebel-infested countryside. Regional Development Councils are being established to identify, implement and monitor these projects and to channel foreign investment into small and medium agriculture-based industries capable of competing in export markets.

While the economy registered some gains in 1986, anticipated foreign investment was not forthcoming. Japanese, American and European businessmen responded positively to the government's debt-equity swap program, unveiled in August 1986, to sell off millions of dollars of government holdings in bankrupt state corporations. But investors were waiting for the chaotic political and national security situation to stabilize before injecting new money or bringing back capital that had flowed out during the turbulent last years of Marcos. Meanwhile, a delay by the country's 483 foreign commercial creditors in the rescheduling of $6–$9 billion of private commercial debt due to mature between 1987 and 1991 threatened to sharpen differences within the Aquino cabinet over debt repayment terms.

VII

As the Aquino government completes its first year in power, the stakes are rising. The honeymoon it enjoyed for much of 1986 is already over, and it will become even harder for the president to impose her will on her quibbling cabinet and her restless constituents once the checks and balances enshrined in the new constitution are put in place. A lot is riding on the ability of the new government to bring about by democratic and capitalist means the critical changes that are necessary in the Philippines if the political center is to remain relevant. "This may be the last chance for the political center to make good the promise of a free economy," wrote the *Far Eastern Economic Review*.

Indeed, Corazon Aquino has become the best advertisement for the democratic alternative in years. But as she reminded the U.S. Congress with just a touch of bitterness during her

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moving speech to a joint session last September, the resulting assistance forthcoming from the industrialized democracies had not been "commensurate with the calamity that has been visited on us." Arguing for more U.S. aid and private investment, she told an adoring audience, "You have spent many lives and much treasure to bring freedom to lands that were reluctant to receive it. And here you have a people who won it by themselves and need only the help to preserve it."

If the revival of democracy in the Philippines were to falter and the communists to gain the initiative in the strategically located archipelago, acknowledges a U.S. official, "our inability to do something about it would be regarded as another example of American impotence." Thus, the United States has good reason to do all within its power to help the new government through this perilous period before recovery takes hold—without, however, trying to dictate the terms to a proud nation or become deeply involved in the internal rivalries that have long characterized the culturally and ethnically diverse archipelago.

That means budgeting the full amount of security owed the Philippines in return for the U.S. military facilities, the Gramm-Rudman law notwithstanding, offering the best possible trading terms on export quotas for such products as sugar and textiles, encouraging private investment, and helping to broker a settlement on the "hidden wealth" of President Marcos. It also means not falling prey to the seasonal longing for an advance guarantee that U.S. military bases on Philippine soil will be retained beyond expiration of the U.S.-Philippine Military Bases Agreement in 1991. No government can responsibly provide such assurance prior to the formal review process, which will begin in 1988.

Emmanuel Pelaez, a former foreign minister who is currently Philippine ambassador to Washington, points out that President Marcos' assurances to that effect were useless, given the fact that he was overthrown before the expiration date. Moreover, by accepting Marcos' guarantees, the United States opened itself up to manipulation by the Philippine leader. "Marcos was motivated by the obsession to remain in power for life," says Pelaez, "for which he needed U.S. assistance and support."

Precisely because sentiment against the bases runs high in the ranks of the left-of-center nationalist groups that support Aquino and because closure of the American bases is a condi-

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tion for a political settlement set by the Communist Party of the Philippines, it is important not to whip up emotions over the subject prematurely. President Aquino has pledged to honor the current agreement for the length of its life and to keep all her options open after that with regard to renewing it or letting it lapse. While she, like most Filipinos, would prefer that Philippine sovereignty not be diminished by the presence of any foreign facility, she is aware that the U.S. military bases are her country's third-largest employer, and that the other free-market countries in the area consider the continued presence of the bases critical to regional security. On the issue of renewing the bases agreement, Michael Armacost, under secretary of state for political affairs and a former ambassador to Manila, said: "We can afford to let this issue lie for the meanwhile. I am personally confident that our security relationship will endure beyond 1991."

The best guarantee of the future of the bases is a stable and prosperous Philippines with a leader who is responsive to the needs of the people and thus able to deliver on whatever agreement is ultimately reached between the two countries. The committee that wrote the new constitution rejected a provision that would have barred foreign bases from the Philippines. The final draft of the constitution gives the president a free hand to renegotiate an agreement, subject to legislative approval. The controversial subject may also be put to a plebiscite.

VIII

With so many question marks on the political page in the Philippines, President Aquino's greatest gift may be her ability to exude optimism that problems can be solved and confidence that they will be. Shortly after the cease-fire took effect, she spoke with satisfaction about her new, smoother relationship with the armed forces. She feared neither its influence nor the seductive powers of the communists, she said, because she had faith that the Filipino people were sophisticated enough to make the right choices. "I am so convinced that this country of ours has become so conservative," she said. "Anything in the extreme is very upsetting to a great number. At the same time, people are not going to let the military rule it over them. We have gone through so much controversy and division that people would like officials who won't divide them."

If President Aquino spent most of her first year in office

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favoring the left wing of her unruly coalition, as the military, with some justification, feels she did, it would appear that she has recently swung back toward the right to assure that the military is with her during the highly sensitive period ahead, whether it is one of peace negotiations or renewed hostilities. Though such support-building maneuvers are necessary to keep her government together in the near term, her aim remains to wind up back in the center. In the longer term, however, she must expand the center over the years ahead to include more of those on the left and the right. Only then can democracy ultimately prove workable in the Philippines.

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John de St. Jorre

SOUTH AFRICA EMBATTLED

There has been a clearing of the decks, both inside South Africa and in U.S. relations with that country, during the past year. The South African government, after almost two years of stop-and-go repression and appeasement, decided by mid-year to take a much tougher line against black resistance and put its reform plans on hold. The United States surged out in front of South Africa's other major industrial trading partners by imposing substantial sanctions against Pretoria, with Congress overriding President Reagan's veto in the process. All this decisiveness shot a few more holes through the tattered sails of the Administration's "constructive engagement," leaving U.S. policy adrift in a rising sea.

These events may have clarified the situation, but they have also narrowed the Administration's policy options and diminished its leverage. The South African government is clearly no longer expecting any favors from its Western "friends" as it cracks down hard on its opponents, black and white, prepares its counter-sanctions strategy, and conditions its white population for a less opulent, but still good life in a siege state.

Further tightening of emergency regulations at the year's end indicated that black resistance was continuing, although the effectiveness of that challenge is increasingly difficult to judge due to the South African government's almost total censorship of the local and foreign press. What is clear, however, is that Pretoria has not yet been able to crush dissent and restore the atmosphere of relative calm that prevailed in the country before the crisis began in September 1984.

In the United States, a process of disengagement seems to be under way. The Anti-Apartheid Act, passed into law over the President's veto last October, sent a strong signal to South Africa's whites that their ultimate salvation does not lie with

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the U.S. cavalry. Using up some of the ammunition in the policymaker's arsenal, the United States has distanced itself from the white government. Major U.S. companies are pulling out, adding a private-sector component to the policy of public ostracism decreed by Congress.

All this caps a period of great change in the United States' relationship with South Africa. There has been a decisive shift against South Africa, as the Anti-Apartheid Act demonstrates. The domestic U.S. debate has also revealed, however, the conflicts inherent in trying to be equally tough on apartheid and communism—both broadly defined—in southern Africa.

The Administration strongly criticizes Pretoria for its internal policies, yet supplies South Africa's closest regional ally—Jonas Savimbi's UNITA movement in Angola—with arms. This is seen by blacks in southern Africa as a contradictory stand, because they view U.S. support for Savimbi as support for South Africa's aggression. In their eyes Savimbi's alliance with South Africa seriously compromises him; some even see him as South Africa's creation. Further, the U.S. anti-apartheid stance appears ambivalent or even contradictory to many. Congressmen vote to punish Pretoria with sanctions, yet back away from the African National Congress, the opposition movement that commands the widest support among South Africa's blacks, because of its Soviet connections. All of this has sent conflicting signals to southern Africa and muddied the policy debate.

"Constructive engagement," the elaborate and sophisticated strategy devised by Chester Crocker, assistant secretary of state for African affairs, and put into place six years ago, has reached an impasse without achieving any of its main goals. The plunge in President Reagan's credibility over the Iran/contra arms scandal has made it highly likely that U.S. policy toward southern Africa will remain ineffective throughout the final two years of his presidency.

At the same time, however, South Africa has acquired the status of a major foreign policy issue for the United States after decades in the minor league. There will be eclipses and lulls, but South Africa is not going to go away. Policymakers and politicians alike will have to accept this ineluctable reality, even though South Africa is among the least manageable—in the sense of having levers to pull and arms to twist—of all the major foreign issues.

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II

"I will restore order to South Africa and no one in the world will stop me," President P. W. Botha promised in August 1985. A year and a half later he still has not fulfilled his pledge. Over 2,300 people, most of them blacks, have died since the current spasm of violence broke out in September 1984. About two thirds of them were killed by the security forces. Neither the imposition of a partial state of emergency in June 1985, nor its removal in March 1986, broke the rhythm of protest or reduced its human cost.

South Africa now lives uneasily under a new and much more draconian state of emergency, declared in June 1986. Since then some twenty thousand people of all races and from across the political spectrum have been detained. Many of them are children. The media have been virtually shut out of the black townships and muzzled by sweeping restrictions on reporting, amounting to near total censorship. A new government Bureau for Information is the sole dispenser of authorized news about the unrest. South Africa has acquired many of the characteristics of a siege state.

The origins of the current crisis lie in President Botha's attempts at reform and their rejection by blacks, setting off a wave of unrest in the fall of 1984. President Botha's reformist intentions had become apparent shortly after he took over the leadership in 1978. Black trade unions were legalized, the permanency of blacks' residence in urban areas was recognized, laws forbidding marriage and sexual relations across the racial divide were abolished and, in September 1984, a new constitution with a tricameral parliament that gave some measure of political power to the Coloured and Indian minorities—but excluded Africans—was introduced.

Botha's underlying strategy has been to decentralize and liberalize social and economic apartheid while maintaining white political control, without disturbing the physical structure of "grand apartheid" that is already in place. At the heart of the Botha reforms lies the principle of group (that is, ethnic) identity, and white control. The concept of dividing responsibilities between different groups into "own" and "general" affairs was enshrined in the 1984 constitution and remains central to the government's constitutional plans.

Affairs deemed to be the primary concern of the group (such as education and housing) are "own" and those considered of

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common concern (finance, defense, police, military and foreign affairs) are "general." General affairs, at all levels of government, remain under white control.

The government's concept of "power sharing" thus begins to look more like power separation and stratification. Moreover, when Pretoria talks of "universal suffrage" it does not mean one person/one vote in a united South Africa. And government rhetoric about "an undivided South Africa" does not mean that the homeland strategy—whereby blacks are assigned to designated areas—will be abandoned. In all the government's constitutional blueprints the four "independent" homelands and the six non-independent ones remain firm fixtures. Indeed, the government had hoped to convert KwaNdebele into a fifth "independent national state" by the end of 1986. Only massive protests within the homeland, accompanied by much violence, thwarted the move.

In general President Botha's reforms found little support among blacks. On the contrary, they were widely viewed as cosmetic, an attempt to give apartheid a more rational and human appearance without addressing the central issue of political rights for the disenfranchised majority. Slow, piecemeal and confused implementation further reduced the reforms' impact and undermined the government's credibility. "Too little, too late," was a constant criticism. The total lack of black participation in the process left blacks suspicious and skeptical.

The introduction of the new constitution in 1984 brought matters to a head. The constitution was widely interpreted by blacks as a transparent attempt to co-opt Coloureds and Indians and deny the African majority any future political role in the governing of the country. It had two profound effects on South African blacks and other opponents of the government. First, it led to the formation of the United Democratic Front (UDF), a multiracial opposition movement embracing some 600 community, church, civic and labor organizations, which launched a successful boycott of the elections to the Coloured and Indian chambers in the new Parliament.

Second, it triggered an outbreak of protest, boycotts, demonstrations and violence that began in the Vaal Triangle, south of Johannesburg, in September 1984 and spread rapidly throughout the country. Attacks on black town councillors and other people regarded as supporters of the government led to heavy-handed repression by the police, and the army moved

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into the disaffected black townships. A spiral of violence was ignited, presenting the Nationalist government with its most serious and sustained challenge since it came to power in 1948.

The turmoil in the townships seemed to baffle Botha, but until recently he resisted pressures from the right wing outside the government, as well as from the security establishment within it, to use stronger measures and to reconsider his reform strategy. He appeared persuaded that once his reformist intentions were fully revealed, men of good sense and goodwill—many of them black "moderates"—would rally to the government's side.

In moving ahead with his reforms, Botha did pay a political price. The right wing of the ruling National Party, angered by plans to bring Coloureds and Indians into the central political system, broke away in 1982 to form the Conservative Party. This was a traumatic split for Afrikanerdom, but in a personal triumph for Botha, two-thirds of the white electorate voted for the new constitution in a referendum. He retained a comfortable majority in Parliament and strong support among the white electorate at large, and thus apparently felt, at least until mid-1986, that he could continue with his strategy of incremental change.

III

The year 1986 began on a note of optimism with a major speech by President Botha at the opening of Parliament on January 31. In both substance and rhetoric the speech was a considerable improvement on previous statements and held out the promise of important reforms. The president declared that South African citizenship would be restored to blacks who had lost it when four black tribal homelands were given their "independence" by the government. The pass laws, which had for decades controlled where blacks could work and live and were bitterly detested, would be abolished and all races would carry the same identity document. Certain blacks would become eligible for freehold property rights in "white" South Africa. A National Statutory Council would be set up as a vehicle for constitutional discussions between the government and black leaders.

There was some surprising language in President Botha's speech. "We have outgrown the outdated colonial system of paternalism as well as the outdated concept of apartheid," he declared. The government accepted "an undivided South Af-

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rica where all regions and communities within its boundaries form part of the South African state, with the right to participate in institutions to be negotiated collectively." All South Africans, he said, should participate in a "democratic system of government." The speech also had an interesting twist. President Botha said that he would be prepared to release Nelson Mandela, the long imprisoned leader of the banned African National Congress, on "humanitarian grounds," striking a more conciliatory note than in the past, but linking Mandela's release to the freeing of Sakharov and Shcharansky in the Soviet Union and a captured South African army officer in Angola.

Some of the promised reforms were carried out during the year, though they had little effect in quelling the unrest among South African blacks. One reason is that the reforms in fact produced little change in the apartheid system. For example, South African citizenship is to be restored to those blacks who lost it when four homelands became "independent," but only to blacks deemed by the government "to reside permanently in the Republic of South Africa," that is, those in urban areas. Therefore, only 1.75 million out of an estimated nine million will be eligible.

The repeal of the pass laws, promised in Botha's January speech and put into effect later in the year, is undoubtedly a major reform. Blacks are no longer subject to arrest for not carrying an identity document. Yet all South Africans will have their race designated on new identity documents, and there are clear indications that the authorities are enforcing a measure of control over blacks' movements in urban areas by greater use of the anti-vagrancy and anti-squatting statutes. Blacks are now allowed to buy houses but only in the segregated areas of "white South Africa" available to them, that is, the black townships. In 1986 central business districts became theoretically open to all races, but in practice only where the white-controlled municipal authorities permit it.

President Botha's ruling National Party draws the line at any move to desegregate education and residential areas. The government has talked of a common education system, but it apparently means a coordinating body for the 19 separate education departments spawned by the new constitution. And while more public funds are being devoted to black education than ever before, the ratio of money spent on white as opposed to black children is still seven to one.

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In early 1986 there were hints of a softer approach to segregated living areas. A few urban neighborhoods have become mixed or "gray," and the government appointed a committee to look into the Group Areas Act, which mandates residential segregation, to determine if modifications should be made. One suggestion—the so-called local option—was to allow municipal authorities to designate areas where all races might legally reside.

On the political front, President Botha's government started the year with a determined effort to put a new face on its reform strategy and to encourage black leaders to take part in its constitutional structures. At the center, the government set up a National Statutory Council, headed by the president, for the purpose of establishing a dialogue with black leaders on future constitutional change. Its role is purely advisory and it has no executive powers; all members will be appointed by the president and serve at his pleasure. In the second tier of government, the old all-white elected provincial legislatures were replaced by new multiracial bodies that have executive powers but are appointed by the government. At the municipal level, Regional Service Councils were established with the intention of bringing all races together to administer common services such as water, power, roads and sewage.

During early 1986 the government also seemed to be seriously considering releasing Nelson Mandela. Mandela, however, set a number of conditions for his own release, including freeing all political prisoners, unbanning the African National Congress and other proscribed parties, and permitting normal political activity in the country. Mandela's position implicitly envisioned the need for negotiations between the government and the ANC.

The cabinet was reported to be divided over whether to release Mandela, with President Botha eventually siding with the hard-liners. Those in favor of releasing Mandela argued that his death in jail would produce an internal explosion and be a major embarrassment abroad. The hard-liners, principally the military and police hierarchies, felt Mandela at large would be more unpredictable and dangerous for the state than Mandela in jail. In the event, the government decided that the quantifiable risks of keeping Mandela in prison outweighed the unquantifiable ones of releasing him.

Pretoria did nevertheless seem to take the negotiating efforts of the Commonwealth's "Eminent Persons Group" (EPG) seri-

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ously. This group, which sought to launch negotiations between government and antigovernment forces in an attempt to forestall Commonwealth sanctions against South Africa, spent several months working on the problem in southern Africa in early 1986. Meeting with a wide spectrum of leaders, the group's co-chairmen (Malcolm Fraser and Olusegun Obasanjo) also talked twice with Mandela in Pollsmoor Prison near Cape Town.

IV

A turning point came on May 19, 1986. While the EPG was still meeting with South African government ministers, the South African army attacked ANC installations in Zambia, Botswana and Zimbabwe. The raids turned out to be a watershed, the point at which the government apparently decided to close the door on any thought of negotiating with the ANC, crack down on internal dissent and suspend its reform program.

The military results of the crossborder raids were meager. The real point, it appeared, was to demonstrate that Pretoria had not lost its political will and to impress this fact on the ANC and the black-ruled Frontline States of the region. The South African government justified the action as "anti-terrorist," invoking as a precedent the U.S. attack on Libya a month earlier. The raids also demonstrated that the military element in the Afrikaner politico-military establishment which rules South Africa continued to exercise a decisive role in the policymaking process.

There appear to be several factors behind the decision to change course in the second half of 1986. The hard-liners in and outside the government had been arguing for some time that the threat of sanctions was worse than the reality. The sooner South Africa came to grips with the threat, they suggested, the better the economy would cope. The government was also concerned about the intimidation, killing and resignations of black municipal officials in the townships. Steps had to be taken to prevent the total annihilation of this class of moderate blacks and the erection of alternative "people's power" structures by the UDF and other antigovernment groups. The growing popularity of the white right wing, especially the extraparliamentary groups, was also a factor, though not a new one. Last but not least was President Botha's own state of mind. By midyear, it seems that he had reached a point of deep frustration. He told the EPG that he had made all the

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concessions but received no credit for his reform program at home or abroad. He seemed more than ready to give the green light to the military to attack the ANC installations.

The May raids mortally wounded the EPG's mission—Pretoria chose to attack three of the Commonwealth countries that the EPG represented—and the final rejection of the group's proposed negotiating terms by the South African government was not a surprise. For its part, the EPG concluded that:

> while the Government claims to be ready to negotiate, it is in truth not yet prepared to negotiate fundamental change, nor to countenance the creation of genuine democratic structures, nor to face the prospect of the end of white domination and white power in the foreseeable future. Its program of reform does not end apartheid, but seeks to give it a less inhuman face. Its quest is power-sharing, but without surrendering overall white control.[1]

The crossborder raids also heralded a tougher internal line. With the tenth anniversary of the 1976 upheaval in Soweto approaching, black protest running as strong as ever, and no sign of any friendly help coming from beyond South Africa's shores, the government decided to take off the velvet glove.

On June 12, four days before the Soweto anniversary, a countrywide state of emergency was declared. Thousands of antigovernment activists—UDF politicians, clergy, civic and community leaders and labor union officials—were detained. School boycotts, rent strikes, demonstrations, public funerals and other methods of protest that had constituted the arsenal of black challenge over the preceding 21 months were declared subversive and banned. New restrictions on the reporting of unrest and violence were imposed.

While trying to decapitate the UDF and other opposition groups by detaining their leaders, Pretoria has given support—sometimes open, sometimes tacit—to vigilantes and other opponents of the antigovernment forces in the townships. In some cases, as in the sprawling Crossroads squatter camp outside Cape Town, this led to open warfare between progovernment forces and the radical "comrades." After days of bloody fighting, the antigovernment forces were driven out of the area and the Crossroads dwellings were bulldozed.

In other cases, pressure has been more subtle, with benefits

[1] *Mission to South Africa: The Commonwealth Report.* London: Penguin Books, 1986, pp. 132–133.

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as well as coercion playing a part in the government's strategy. Joint Management Committees, composed of military and police representatives, businessmen and some black political leaders, have been set up. These bodies are part of an elaborate intelligence network called the National Security Management System, which is controlled by the powerful, military-dominated State Security Council of the central government. The JMCs provide a quicker, more efficient channel for intelligence and services, and effectively bypass the traditional and cumbersome apartheid structures.

The government's aim is to replace the discredited and largely defunct black councils and to destroy the "alternative structures," run by the "comrades" and other antigovernment groups, that have arisen in many townships. It thus hopes to reestablish its authority and legitimacy. The result has been to divide blacks by playing on their existing differences, to build up local "warlords" and to create a climate of civil war in the townships. This has happened even in the most fiercely antigovernment areas, such as the Eastern Cape.

Black mistrust of the government continues to be profound. The Commonwealth mediation group remarked on this phenomenon when the pass laws were finally abolished and offenders freed. "It is illuminating to note the abolition of a document symbolic of more human misery than any other aspect of apartheid's administration has evoked no sense of freedom among blacks," the EPG said in its report. "More than anything else, this mute black reaction demonstrated to us the current acute lack of trust. The abolition of the pass . . . has evoked at best skepticism, at worst indifference."[2]

Hand in hand with using the tactics of *kragdadigheid* (Afrikaans for "forcefulness," or "overwhelming power"), the government has suspended, though not necessarily abandoned, its reform program; in practice its reformist drive has slowed. The much-publicized and rare federal congress of the ruling National Party in August produced more rhetoric than substance, leaving the impression that the age-old concerns of Afrikaner politics—ethnic unity, regional divisions, personalities and the leadership succession race—mattered far more than serious solutions to the national crisis. A sense of urgency about the current situation and a vision of the future were singularly absent from the proceedings.

[2] *Ibid.*, p. 37.

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In October the government committee that had been set up to study possible changes in the Group Areas Act submitted its report; it is believed to have recommended some modifications in the act, though not its abolition. The report was shelved by the government, however, and not made public. Meanwhile, forced removals of black communities, especially those in close proximity to whites, accelerated under the convenient shadow of the state of emergency.

Close to the end of the year, the Natal "indaba," a series of meetings held by whites, Indians and Zulus designed to produce a new constitutional formula for the region, disclosed its findings. The indaba's main recommendations were the merger of white-run Natal with Chief Buthelezi's KwaZulu homeland and the establishment of a bicameral regional parliament based on universal suffrage. The idea was flatly rejected by a cabinet minister from Natal, though not by the government itself. While it is possible that Pretoria may give the "KwaNatal" option, as it is generally known, some further thought, it is unlikely to permit its implementation since the proposal fails to mesh with the government's own plans for constitutional development.

As the year neared its end the government tightened the tourniquet around black protest still further. On December 12 the definition of "subversion" was broadened to include virtually every group activity available to anti-apartheid activists, including a campaign by a wide range of groups called "Christmas Against the Emergency." Equally important were new restrictions on the press that were designed to make reporting any extraparliamentary opposition to the government extremely difficult, if not impossible.

The need to strengthen the government's already formidable powers seemed to indicate that it had not yet been successful in crushing dissent and that it was worried about a new surge of protest over Christmas. At the same time, the military showed its muscle by abducting two Swiss nationals from Swaziland on the grounds that they were helping ANC guerrillas. Yet soon after, Pretoria's diplomatic sensitivities, which had been blunted but not wholly paralyzed by its security concerns, reasserted themselves and the two Swiss were returned to Swaziland.

V

Where does South Africa go from here? The vision of President Botha and his government has been foreshortened

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by the closeness of an election—on December 31 Botha announced elections for the white chamber of Parliament, probably to be held some time around April 1987—and the need to counter international sanctions. The government is using the sanctions threat to appeal to white South Africans' sense of patriotism to unite behind it and defy the world, a tactic that has already achieved considerable success. The right wing, inside and outside Parliament, has lost much of its newly acquired appeal since the government turned tough in midyear.

Earlier in 1986 the extraparliamentary right, in the shape of Eugene Terre' Blanche and his Nazi-style Afrikaner Resistance Movement (the AWB, using its Afrikaans initials), had seemed to worry Botha more than the parliamentary right, which consists of the small Conservative Party and the even smaller Herstigte Nasionale Party. The AWB's visceral appeal to Afrikaners in the police force and civil service lay behind his concern. Both sanctions and Botha's tougher line at home may well draw more conservative votes for the National Party in the 1987 elections.

The business community, which only recently almost unanimously criticized the government for failing to address the fundamental political issues that lie beneath the crisis, is also rallying behind the call to defeat sanctions. Botha has managed to keep his party solidly behind him, and he may be able to restart his reform program after the elections. "The government has been successful in persuading the bulk of whites that change is necessary and the Nationalists are the only people that can do it," Professor Robert Schrire of Cape Town University commented. "It has also convinced whites that change will not affect their status, security or living standards."

On the left, the resignation of Frederik van Zyl Slabbert, the appealing Afrikaner leader of the Progressive Federal Party, undermined its role as the liberal alternative to the National Party, although the reason for van Zyl Slabbert's resignation—his loss of faith in the existing parliamentary system as the agent of fundamental change in South Africa—was a psychological blow to the government.

It seems likely, therefore, that Botha will win the elections handsomely, entrenching his long-ruling National Party deeper in power. Over 70 years old, he may choose to retire or perhaps stay on for a year or two. Before he leaves, however, he appears determined to end the black revolt and, if possible, to put his reform program back on track. Whether he can do this remains

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questionable, but there seems little doubt that *kragdadigheid* has achieved some tactical successes.

All internal black organizations, with the exception of Chief Buthelezi's predominantly Zulu Inkatha movement, have experienced the government's coercive power. Groups like the UDF, the largest extraparliamentary opposition movement; the National Forum, its black-consciousness counterpart; and the Congress of South African Trade Unions (COSATU), the most powerful black union movement, are all federal organizations and therefore highly vulnerable to pressure on their national leaders, many of whom have been detained under the emergency. In such a repressive situation local issues come to the fore at the expense of national ones and preoccupy the leaders who are still at liberty. With the unions, for example, "workerist" shop-floor concerns have tended to supersede the more explicitly political goals that some of the national leaders urged earlier in 1986.

The government is also adept at exploiting existing divisions among the anti-apartheid groups. All foreign donations to the UDF were prohibited, but not those to the rival National Forum. Inkatha was allowed to hold a big rally in Soweto while all other public meetings by black groups, including funerals, were banned. The "dirty war" is intensifying between the young "comrades" in the townships, who generally support the UDF and the banned ANC but who often have their own agenda, and the government-supported vigilantes and warlords.

The internecine rivalry between Inkatha and the UDF has continued unabated with an added element of conflict resulting from the formation last May of an Inkatha-led Zulu trade union called the United Workers Union of South Africa. Buthelezi retains a strong regional, mainly rural base in KwaZulu and Natal and he is by no means a government stooge, but his bitter feud with the ANC has isolated him from the mainstream of black politics. His only lifeline back into that current appears to be a personal relationship with Nelson Mandela who, if he were free, might be able to bring about a reconciliation.

Another development in 1986 that has far-reaching implications for the future is the muzzling of the media. When television cameras were first banned from the townships in November 1985, the government took a calculated risk that has paid off. An avalanche of foreign criticism greeted the move, but in the longer term it reduced the impact of the South African crisis abroad although it did not halt the drive

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for sanctions in the United States. Americans and other foreigners no longer saw, as they had almost nightly, white South African policemen whipping and shooting unarmed blacks.

The foreign media based in South Africa protested loudly, but no one voluntarily packed his bags and went home. Emboldened, the government took a second bite out of press freedom with the new state of emergency. Reporters cannot now enter the townships without permission, report unauthorized information on the actions of the security forces, or publish statements deemed to be subversive or construed as endangering public safety.

The 170 foreign journalists who remain in South Africa have generally complied with the government's restrictions, but their compliance has had no discernible effect on the level of violence. The only obvious effect is that news coverage, for both foreign and domestic consumption, was whittled down in June and again in December 1986. Thus, in addition to the natural lulls and competing foreign crises that cause public interest in any big international story to slacken, obtaining an accurate picture of what is going on inside South Africa is becoming increasingly difficult.

Yet blood continues to flow; even the circumspect government announcements on the unrest show that people die almost daily. The challenge to the government goes on at many different levels and in many different ways. And while serious divisions among blacks remain, there is a remarkable degree of agreement on objectives, if not on means—perhaps more so than among whites. These objectives include: the release of Nelson Mandela and the political prisoners, the unbanning of the ANC and the Pan-Africanist Congress, unfettered political activity, a dismantling of all apartheid laws and structures, negotiations for a nonracial, democratic constitution in an undivided South Africa, and a redistribution of wealth.

Black organizations are vague about the shape of the post-apartheid constitution but are firmly opposed to fragmentation of the country and to racially based federal or confederal solutions. Majoritarianism (one person/one vote) in a unitary system is their goal. But modifications such as geographic (though not racial) federalism, proportional representation and the protection of minorities are not excluded and could be the subject of negotiations. No one is spelling out the details in this non-negotiating and highly confrontational phase. The future economic shape of South Africa is a secondary issue for most

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blacks, although virtually all blacks expect a redistribution of wealth after the transfer of power, with or without "socialism."

Credible black leaders will not accept political or constitutional solutions prescribed by the government, nor will they take part in government-established bodies. Who speaks for whom—and when—is a highly sensitive and politicized issue, and it will not be decided until the political leaders are released, the parties unbanned and normal political activity allowed. No serious black leaders, however, think the transition to black rule is at hand. Anyone who thought so earlier in the year has probably changed his mind by now. But equally no one would settle—or could be seen to be settling—for anything less than a total dismantling of the apartheid system and its replacement by a nonracial, democratic constitution based on universal suffrage.

Inside South Africa the ANC's stature has been enhanced by two years of protest and turbulence. And Nelson Mandela, the movement's imprisoned leader, remains as potent as Banquo's ghost. No national leader has emerged to usurp his place and, in the short term, no settlement of black and white differences or of intra-black rivalries is likely while he remains in prison.

But as the struggle intensifies, the ANC will have to show concrete results in terms of increased guerrilla activities, more grass-roots organization, and greater assistance to the embattled township "comrades" if it is to maintain its credibility. The trek of prominent South Africans from all walks of life to the ANC's headquarters in Lusaka, Zambia, has slowed to a trickle, and the banning of public funerals in South Africa has limited public displays of ANC oratory and support.

None of this augurs well for the coming year. The deep gulf between the government and antigovernment forces is widening. There are three important elements. First, for whites—especially the Afrikaners—it is now a question of survival. Debates about whether apartheid is alive, terminally ill or actually dead miss the point. Surviving as a distinctive group with security, culture, language and as much economic privilege as possible is the Afrikaners' objective. Whites, in their own current estimation, cannot afford to hand over control if their survival is to be secured.

Old-fashioned apartheid, with its reassuring if warped ideology, is now widely accepted as being inadequate for achieving that goal. Yet President Botha's schemes for sharing the trappings of power while retaining the reality of a monopoly do

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not appear to provide the answer either. Attempts to establish a dialogue with "moderate" blacks through devices like the National Statutory Council have so far been summarily rejected.

Second, the costs of the black challenge have not made a sufficient impression on whites to change their fundamental perceptions. The economic squeeze is hurting, encouraging some whites to emigrate and others, including some powerful businessmen, to exert pressure on the government for real change, but the bulk of the white population remains complacent and insulated from the crisis.

The white anti-draft campaign is annoying for the government but not life-threatening. Pretoria is treating the End Conscription Campaign as it does other opposition organizations, detaining its leaders and harassing its members. A small number of whites have already made the commitment to a new era and joined the struggle. Yet most conform, sharing explicitly or tacitly the apocalyptic vision of a radical black, Soviet-backed takeover depicted by their leaders and assiduously peddled by the government-controlled South African radio and television.

Finally there is the question of leadership. Neither P. W. Botha nor any of his likely successors—the race seems to be narrowing to a run-off between F. W. de Klerk, the Transvaal leader, and Chris Heunis, the party's constitutional theorist—appears to have the will or the imagination to project the *volk*'s future beyond the traditional Afrikaner short-term survival scenario. Yet, at a philosophical level, many Afrikaners talk quite easily about the "inevitability of black rule."

The logical but dismal conclusion is that the confrontation between the government and its much weaker but still determined opponents will deepen, that South Africa's decline will become more bitter, more violent, less easy to reverse. Eventually the costs of maintaining the white monopoly of power and privilege will be high enough to encourage a change of heart. The critical issue then will be the state of mind of the blacks who kept up the pressure but, inevitably, paid a heavy price in doing so. That time, however, is still a long way off.

VI

In the southern African region, Pretoria began to flex its muscles early in the year by closing off its borders with Lesotho, a country surrounded by South Africa, thus hastening the

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overthrow of Chief Leabua Jonathan's 20-year-old regime by a military coup on January 20. Jonathan, a close ally of Pretoria in his time, had recently become less friendly, taking a strong stance in favor of providing sanctuary for South African refugees with ANC affiliations or sympathies.

The threat of the ANC, relatively puny though it may be, is the basic litmus test that determines South Africa's relations with its neighbors. There was a substantial increase in ANC activity in 1986 involving imported weapons, albeit most of it minor attacks and forays. Between January 1 and September 14, 1986, according to South African government figures, there were 170 "incidents of terrorism" attributed to the ANC, compared with 136 for the whole of 1985 and 44 in 1984.

Although South Africa's May raids on the ANC in Botswana, Zimbabwe and Zambia constituted more a warning than a serious military operation, Pretoria seemed concerned about new ANC infiltration from Mozambique. Throughout the year the South African army continued to supply arms and equipment to the antigovernment Mozambique National Resistance (MNR) forces. It now seems clear that both sides are breaking the Nkomati Accord (in which both governments agreed not to allow each other's enemies to operate in their territories), although neither is ready to abrogate it publicly.

In October, Pretoria announced that the contracts of some 60,000 Mozambican miners working in South Africa's coal and gold mines would not be renewed when they expired, following land-mine attacks in South Africa, close to the Mozambique and Swaziland borders, that were presumed to have been carried out by the ANC. Roughly one third of Mozambique's annual foreign exchange earnings come from these workers' remittances and from South African dues for the use of Maputo port.[3]

The death of President Samora Machel of Mozambique in the same month injected a new element of instability into the region. Charges that the South Africans caused Machel's plane to crash have not been proven, but the investigation is continuing. In any case, the death of the man who signed the Nkomati Accord further weakened a relationship that was already under strain.

Mozambique, with its new and untried leader, Joaquim Chissano, ended the year virtually under siege. A new surge in MNR

[3] *The New York Times*, Nov. 30, 1986.

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pressure, serious structural failures in its internal economy and, more recently, South Africa's threat to repatriate its miners have all contributed to the country's desperate plight. Chissano, however, who was formerly the foreign affairs minister, is a pragmatist who can be expected to try to maintain a working relationship with South Africa while seeking ways of strengthening his hold over Mozambique through foreign military and economic assistance.

The situation in the rest of the region was equally gloomy. In Angola the war between the Cuban-backed government forces and the South African- and U.S.-supported UNITA movement continued throughout the year, with neither side gaining a clear advantage. However, UNITA, probably with Zaïre's assistance, did make inroads in the north of the country and threatened the rich, oil-producing enclave of Cabinda.

International diplomacy designed to remove the Cubans from Angola and the South Africans from Namibia remained stalled. In Namibia itself, the Multi-Party Conference, a loose and fractious multiracial group of parties and individuals backed by Pretoria, became more entrenched as the de facto government of the vast but thinly populated territory. But its chances of defeating SWAPO, the Namibian nationalist movement fighting the South Africans on the Angolan-Namibian border, in a free election seemed to have been only marginally enhanced.

International pressures in the form of mild sanctions imposed by the European Economic Community in September and more punitive ones imposed by the U.S. Congress a month later, with strong rhetorical support from the black Frontline States, have not yet had much of a physical impact on the region. Nevertheless, a "sanctions war" between South Africa and its neighbors is closer to reality than before. It seems unlikely that Pretoria will use all its formidable power to destroy the economies of its neighbors, because it maintains a highly favorable balance of trade with most of them and has a vested interest in continuing to draw upon a large reservoir of skilled workers, particularly miners. But the South African government can—and probably will—exert pressure on its neighbors when it feels it needs to by squeezing key export routes and denying vital imports. Meanwhile the public and private sectors in the Republic are planning "sanctions-busting" operations on a large scale.

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VII

The drama of the crisis in South Africa has been matched, in a quieter but no less significant way, by a rise of interest and activism in the United States. Africa has traditionally been of secondary importance in U.S. foreign policy, perennially at the bottom of the global agenda. South Africa, though linked by history, strategy, trade and sentiment with the West, shared the same low rating as the rest of the continent. This has changed, primarily as a result of the sustained crisis in South Africa. It is the synergy between events there and a new mood in the United States that has been critical. By late 1984, only a few months after the wave of black protest began in South Africa, anti-apartheid sentiment in the United States began to grow dramatically and cross previously impenetrable political lines.

There were several reasons for this. Television brought the black challenge and accompanying violence into millions of American homes for the first time. But media exposure was by no means the only explanation. It is significant that a similar television barrage of daily South African turmoil and police brutality failed to produce a corresponding political impact in Britain, West Germany and France, Pretoria's other major Western trading partners.

The U.S. domestic political climate was receptive. The re-election of President Reagan in November 1984 had left the Democrats in disarray and ready to unite around an issue as clear-cut as apartheid. So when Randall Robinson, the director of TransAfrica, the black foreign policy lobby group in Washington, launched the Free South Africa Movement with demonstrations and "sit-ins" at South African diplomatic missions around the country, there was no shortage of high-level Democratic support.

But there was significant movement on the Republican side too. The increasing mobilization of American blacks around the South African issue began to worry Republican officeholders at the city, state and federal levels. Younger Republicans in particular felt sensitive to charges of siding with South Africa by not being more forthright in opposing apartheid, and many made the point that conservatism—a legitimate creed—did not imply racism, a wholly discredited ideology.

In December 1984, 35 conservative Republicans in the House of Representatives delivered a letter to the South Afri-

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can ambassador in Washington saying that they would be compelled to support sanctions against Pretoria unless there was an early end to apartheid. "The reality of apartheid," they wrote, "and the violence used to keep it in place make it likely that our relations will deteriorate."

In the following year Richard Lugar, the Republican chairman of the Senate Foreign Relations Committee, and Nancy Kassebaum, the Republican chairman of the Senate's Sub-Committee on Africa, spoke out against Pretoria and the Administration's constructive engagement policy. Meanwhile the divestment campaign and campus protests took on new life across the country and sanctions bills began to take shape in Congress. The stark reality for most politicians was that there was no political mileage to be gained by supporting apartheid, whereas there was in condemning Pretoria. Another problem, especially acute for Republicans who had identified themselves closely with the Administration's policy, was the stigma of failure that was increasingly attached, rightly or wrongly, to constructive engagement.

Assistant Secretary of State Chester Crocker, the policy's architect and practitioner, had promised results, namely stability and a greater role for American diplomacy in southern Africa, the independence of Namibia, the withdrawal of the Cuban forces from Angola, and movement toward fundamental reform and the dismantling of apartheid in South Africa. After four years in office, Crocker could point to some progress in the southern African region with the conclusion of the Nkomati Accord. But there was no progress on Namibian independence or removal of the Cuban troops from Angola, and little that he could claim to have achieved in South Africa where the government had devised a new constitution that specifically excluded the African majority from political participation in the central government. Moreover, the policy was widely perceived at home and abroad as moving Washington closer to Pretoria and giving the impression that the United States was unconcerned about the fate of the oppressed black majority.

Throughout 1985 the crisis continued in South Africa and domestic pressure mounted against the U.S. Administration. A concerted effort by Congress to legislate sanctions against Pretoria was preempted when President Reagan issued an executive order imposing a milder set of measures. It was significant, however, that the Republican-dominated Senate

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played a moderating but still forceful role in the congressional drive against South Africa.

In 1986, with South Africa in even greater turmoil, the Congress followed its contradictory impulses, attacking communism and punishing apartheid. In March Congress approved the Administration's request for up to $15 million in military aid for Jonas Savimbi's UNITA movement in Angola. (The Clark Amendment, prohibiting such assistance, had been repealed by Congress at the Administration's urging in 1985.) For many black states in southern Africa and blacks inside South Africa, this move provided concrete evidence of what they had suspected for a long time: that the United States was on Pretoria's side, and against them, since South Africa is UNITA's principal military backer. Yet this point seemed to be lost on many congressmen who went on to support punitive sanctions against Pretoria later in the year, unaware of or unconcerned about the perceived contradiction in their position.

In the summer of 1986 both houses of Congress introduced new sanctions bills and finally agreed on a package that went much further than any similar punitive measures in the past. President Reagan vetoed the bill, but in the fall both houses overrode his veto by substantial majorities. It was the worst defeat for the Administration's southern Africa policy yet, and particularly bitter for the President because it was inflicted by a pre-election Congress in which the Republicans still controlled the Senate.

The act banned the importation of South African coal, uranium, iron and steel, agricultural produce, textiles and krugerrands; it prohibited new U.S. loans, investments, credits and the sale of computer technology to the South African government and its agencies. Landing rights for South African Airways were terminated. The measure, however, also reflected Congress's skittishness about communist influence in southern Africa. While urging closer U.S. official contacts with the ANC and antigovernment political groups, the act ordered a study of the South African Communist Party and "the extent to which Communists have infiltrated the many black and nonwhite South African organizations engaged in the fight against the apartheid system."[4]

Why did the Administration suffer such a defeat and find itself so out of tune with congressional and public opinion?

[4] Comprehensive Anti-Apartheid Act of 1986. Section 509 (a).

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There is a popular perception that, like the Vietnam War, the government's defeat stemmed from a sapping, indeed subversive role played by the media. The facts do not support such a thesis. While it is true that television reporting from South Africa initially sensitized the American public to the crisis, Pretoria banned the cameras from the townships a year before the Anti-Apartheid Act became law. The print media continued to report the unrest, but newspapers have nowhere the same impact as television.

It was the intransigence of the South African government, which it demonstrated by attacking its neighbors, rejecting the EPG's mediation formula, refusing to release Mandela, declaring a new state of emergency and so on, that convinced many congressmen. They felt that the United States had to make a firm stand on principle and that punitive sanctions, though an imperfect foreign policy instrument, were the only way to express the United States' moral outrage.

Many Republicans looked to the Administration for leadership, hoping that the United States would change its policy and address the domestic pressures more effectively. On both counts the congressmen were disappointed. Indeed, it seems clear that President Reagan personally, as well as his advisers, handled their Republican allies in Congress badly. Seeking a compromise to avoid the presidential veto, Senator Lugar reported that he had received nothing of substance from a visit to the White House.

The Administration was not helped by an extraordinarily clumsy attempt by Roelof F. Botha, South Africa's foreign minister, to lobby several farm state senators just before the override vote took place. Put up to it by Senator Jesse Helms, the conservative Republican from North Carolina, Botha pointed out that South Africa might be compelled to stop buying U.S. agricultural produce if sanctions were imposed. One senator described the tactic as a "cheap trick," and another, who was going to support the President's veto, changed his mind and voted to override it.

The Administration's reaction to growing public and congressional opposition to its policy was to fight a rearguard action. Policy "reviews" were announced and conducted; official anti-apartheid rhetoric increased; the U.S. ambassador was recalled, sent back and eventually replaced; a somewhat unseemly public search was launched for a black ambassador to replace the incumbent, and two candidates fell by the wayside

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before Edward Perkins, a career foreign service officer, agreed to take on the unenviable job of selling a failed policy; an interagency working group was set up in the State Department to do the same job on the home front; and a special advisory committee of 12 prominent Americans was charged to advise the secretary of state what policy would be "most likely to bring about the peaceful elimination of apartheid and create a political system not based exclusively on race."

In legislating sanctions against South Africa the United States did not act alone. During 1986, the Commonwealth, the European Economic Community and the Frontline States all took punitive measures of varying severity against South Africa. And toward the end of the year some major foreign corporations (Exxon, General Motors, IBM, Coca-Cola, and Britain's Barclays, among others) announced that they were pulling out of the Republic, citing poor economic performances, the failure of the government to address the fundamental issue of political change, and pressure from their domestic constituencies.

VIII

After six years, it is not hard to see why constructive engagement failed. The Reagan Administration entered office with a larger than usual dose of the Washington overconfidence and underestimated the Afrikaners' hard-headed pursuit of their own interests. During President Reagan's first term, the Administration's ideological obsessions and bureaucratic divisions over southern Africa were not as large as they were in other areas of foreign policy. But they grew in his second term and blurred the Administration's policy objectives. Then events in southern Africa and at home overwhelmed the State Department's self-absorbed game plan. The decision by the Botha government to reject negotiations and take a hard line last May, and the Anti-Apartheid Act in October making punitive sanctions an integral part of U.S. policy, effectively killed constructive engagement. Botha's decision, it is important to note, was taken well before international sanctions became a reality; sanctions did *not* drive the Afrikaners into the laager—they were already there.

In the end constructive engagement seemed to have alienated practically everyone: black South Africans, white South Africans, the Frontline States, most Americans and even loyal allies like the British and the West Germans, who were piqued at being cut out of the Namibian independence negotiations

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and opposed to linking that diplomatic effort with the issue of Cuban withdrawal from Angola.

The Administration now has to devise ways of accommodating the blunt instrument of sanctions with its original nonpunitive strategy of "quiet diplomacy." This is trying to square a circle, and there is a sense that the White House still has not come to terms with the provisions of the Anti-Apartheid Act which it so strenuously opposed. The results so far have not been encouraging. The phrase "constructive engagement" was dropped from official statements in mid-1986, and State Department officials were privately calling it the policy that dare not speak its name. Others were saying that there is no policy. Recent policy statements reveal the lack of new thinking in government circles. The only positive steps taken have been promises of more aid to the Frontline States in 1987 and expanding contacts with South Africa's various black leaders, including the African National Congress. Secretary of State George Shultz is due to have his first meeting with the ANC leader, Oliver Tambo, in January 1987. U.S. policymakers seem to have lost their sense of direction. Crocker once criticized the Carter Administration's southern Africa policy as "a state of mind" rather than an active strategy; it is not unfair at this point to call his own policy a state of hope.

Criticizing constructive engagement is one thing; producing an effective alternative is another. Looking ahead, there are several underlying realities that must be taken into account. First, notwithstanding the clampdown on news from South Africa and Washington's absorption with the Iran/contra arms affair, South Africa is now a foreign policy issue, with a powerful domestic resonance, that cannot be ignored. Robert Dole, the Republican leader of the Senate, observed that South Africa had become a domestic civil rights issue. "It will be on Congress's agenda every year for the next decade," he said.[5]

The second reality is the severely restricted nature of U.S. power in southern Africa. As Helen Kitchen and Michael Clough have written:

> The United States has only a limited ability to influence developments in South Africa. . . . Particularly in the short run, we do not possess any levers that can be used to *force* the white ruling group to move faster or further than its own assessment of risks and gains dictates or to leverage blacks to

[5] *The New York Times*, Oct. 3, 1986.

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adjust their priorities and tactics to our perception of reality. We can educate, prod, cajole, encourage, bolster; we cannot coerce, compel, or force changes in what drives the components of this most complex society to their uncertain destiny.[6]

The third reality is the nature of presidential leadership during the next two years. President Reagan and his White House staff were never interested in southern Africa and are likely to be too preoccupied with the Iran arms affair and other issues to give it their attention. The congressional override on sanctions strengthened the White House's conviction that South Africa is a no-win issue. The presidency, moreover, has an image problem. There is a broad perception in the United States and southern Africa that, no matter how strongly and how often President Reagan condemns apartheid, his true sympathies lie with South Africa's whites.

Given the rigidities of the situation in South Africa and the damaged foreign policy apparatus in Washington, there is not a lot that can be done in the near future. It is always difficult for policymakers, eager for the quick solution, to pause in their endeavors and wait for more propitious times. But this is one of those moments.

This is not to say that the United States can—or should—do nothing at all. It is vitally important for Washington to *reposition* itself more centrally, more neutrally, so that it can at a later stage offer its services as a credible mediator when the opposing sides in South Africa are ready to settle their differences through negotiations.

In essence, this means an end to what is widely regarded as Washington's close relationship with Pretoria—a characterization that produces hollow laughs in the two capitals where officials on both sides often consider relations to be less than friendly—and movement toward better relationships with black South Africans who are struggling for the freedom that the United States says they should have, and with the Frontline States in the region which will be bearing the brunt of the expanding sanctions and counter-sanctions war.

Repositioning the United States would also mean ending U.S. aid to UNITA and greatly increasing bilateral and multilateral aid to the Frontline States and SADCC (the Southern African

[6] *The United States and South Africa: Realities and Red Herrings*, (Significant Issues Series, Vol. VI, No. 6), Washington, D.C.: Center for Strategic and International Studies, 1984, p. 15.

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Development Coordination Conference), with the aim of lessening the black states' economic dependence on South Africa. Finally, if Pretoria's military pressure on these states increases, the United States should consider supplying them with defensive arms and supporting the deployment of an international security force in the region. Maintaining contact with South Africans of all races and political persuasions, and strengthening black South Africans' bargaining power through public and private sector funding and technical assistance, are also important strands of policy which have the advantage of already enjoying strong bipartisan support.

In short, the United States should assume the high moral ground—not because it makes people feel good but because it makes political sense. However, Washington should also accept the reality of sanctions and try to make them more effective by encouraging its Western allies and Japan to adopt the same measures. This will not bring the South African government to its knees, but it will raise the cost of maintaining apartheid and help remove the notion, widely held among South Africa's white population, that the West is not really serious about fundamental change in South Africa.

Admittedly, there is a conceptual contradiction between strengthening contacts with South Africans and the strategy of sanctions, which seeks to isolate South Africa. But it is a contradiction that can be lived with while sanctions remain selective and while the lines of communication between the West and South Africa remain open. There may come a time, however, when a deteriorating situation in South Africa will call for greater condemnation, and therefore tougher sanctions, by the United States and its allies. In such a scenario the lines of contact and remaining ties may be severed, resolving the contradiction though not the problem.

International mediation may one day be important in South Africa, as it eventually was in Rhodesia/Zimbabwe, when the opposing forces are more evenly balanced, when fatigue has turned men's minds away from the battlefield toward the negotiating table, and when the costs of maintaining the status quo become unbearable for those who currently hold power. Then the United States, if it has positioned itself correctly, will undoubtedly have a significant role to play.

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Clifford Krauss

REVOLUTION IN CENTRAL AMERICA?

On President Reagan's first inauguration day, revolution appeared to be spreading across Central America. The Sandinistas were consolidating their hold over Nicaragua and guerrillas in El Salvador and Guatemala were on the move. Americans began thinking that Central America could become "another Vietnam." Six years later, Central America is going much better for Washington than Southeast Asia did—and with much less effort. Revolution has not spread, and the leftist guerrillas of Central America are not faring well, without the deployment of U.S. troops.

II

To assess the current status of revolutionary forces in Central America and U.S. policies for dealing with them, one must begin with Nicaragua. The Sandinista regime in Nicaragua has not been overthrown, but it has been contained. The Sandinistas, with their huge army and highly effective security and intelligence apparatus and their reservoir of youthful support, will not be overthrown anytime in the foreseeable future unless the United States decides to mount an all-out war. The Nicaraguan rebels have been unable to dislodge the Sandinistas, and by year's end the U.S. policy of backing them was the subject of renewed controversy in Washington.

In fact, the most important developments concerning Nicaragua in 1986 occurred in Washington, where, after a high-pitched public campaign by the Administration, President Reagan finally convinced Congress to go along with his policy of giving military aid to the rebel forces. On June 25 the House of Representatives approved $100 million in aid for the Nicaraguan rebels.

The White House version of Central American affairs, as stated by President Reagan in a nationally televised address on March 16, 1986, warned the American people of "a mounting danger in Central America that threatens the security of the

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United States. This danger will not go away; it will grow worse, if we fail to take action now." Furthermore, he said, "Using Nicaragua as a base, the Soviets and Cubans can become the dominant power in the crucial corridor between North and South America. Established there, they will be in a position to threaten the Panama Canal, interdict our vital Caribbean sealanes and ultimately move against Mexico."

Even though this characterization exaggerated the immediacy of the dangers, the President's stark interpretation of the Central American situation may have worked to push an ambivalent Congress to back the "contras," as the rebels fighting the Nicaraguan government are called. The key votes in approving the 1986 aid package were mostly those of Democratic congressional moderates who had in 1984 cut off contra funding and in 1985 reluctantly approved nonmilitary "humanitarian aid." They came around in 1986 to believe that the kind of U.S. pressure that partially reformed the Salvadoran army could be used to mold the contras into a more attractive force.

Before the congressional conference committee meshed Senate and House versions of the contra aid legislation, the downing on October 5 of a cargo plane carrying weapons and American crewmen over Nicaragua appeared at first to jeopardize the Reagan Administration's policy. Captured documents and testimony supplied by the surviving crewman, Eugene Hasenfus, revealed a disingenuous White House; by helping a shadowy network of civilians and former CIA agents gain access to Salvadoran, Honduran and Costa Rican airstrips, the National Security Council staff seemed to be stepping around the Boland Amendment, which prohibited arming the contras to overthrow the Sandinista government. Concrete evidence of official U.S. wrongdoing was not produced, however, and Congress completed work on the aid bill, without even a delay, thereby sending a signal that legalistic niceties were secondary to the job of destabilizing Nicaragua. The Sandinistas duly reaped the propaganda benefits of putting Hasenfus on trial, sentencing him to 30 years, and then sending him home just before Christmas.

Where the funds for these supply operations were coming from remained a mystery until the secret U.S. arms sales to Iran were made public in November. Attorney General Edwin Meese subsequently announced that $10 to $30 million had been diverted from the profits of these sales to buy weapons for the contra forces. President Reagan dismissed Lieutenant

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Colonel Oliver North, a member of the National Security Council staff, for his leading role in the diversion of funds, and National Security Adviser Admiral John Poindexter resigned at the same time. Just what North's role was, and how much official involvement there was in this operation of shifting funds was not made clear, but the National Security Council staff and probably the Central Intelligence Agency were implicated in activities that appeared to violate U.S. law. The contra connection with the Iran arms sales (and the retaking of the Senate by the Democrats in the November elections) raised doubts that U.S. support for the Nicaraguan rebels would be continued by the next Congress. It was thought that Congress might even halt the final $40-million installment of the $100 million in aid to the rebels, which would deprive them of badly needed advanced weaponry. In any case, by year-end a reassessment of the policy was obviously needed.

The crisis precipitated by these revelations, as well as the embarrassing Hasenfus affair, demonstrated that the contras are almost totally dependent on the United States and even subject to significant U.S. control to keep their war effort going. It has been that way ever since the Central Intelligence Agency played a key role in reshuffling the original contra leadership in 1982. At that time a CIA operative who called himself Tony Feldman actually interviewed leadership candidates in the United States, and later the State Department promoted new leaders who were to broaden the political spectrum of the movement. The deficiencies of the contra forces, however, have not been and are unlikely to be overcome by U.S. aid and supervision. Whatever benefits the contras provide in tying the Sandinistas down in a small war have been outweighed by the reality that the contras have not made any military or political advances. There is no reason to believe that continuing the aid will produce a resolution of the Nicaraguan conflict.

III

The policy of constructing, financing, advising, supplying and attempting to unite a variety of contra groups who hope to overthrow a government still recognized by Washington improvidently puts U.S. prestige and commitment on the line in Central America. U.S. moral and human rights principles have been under attack not just for supporting a rebel force, but one that has been charged with numerous atrocities. This

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policy, furthermore, entangles the United States in obligations not only to the contras but also to the surrounding countries. The current limited war could easily escalate and spread in the region until the use of U.S. forces becomes unavoidable—either to defend Honduras from Sandinista counterattacks on contra positions there or to rescue a lagging contra movement on the verge of military defeat.

The State Department, CIA and Defense Department frequently disagree over which contra factions are worthy of support, impairing the U.S. ability to coordinate contra operations. Disagreement also extends to strategy and planning. Even if these U.S. agencies were united on policy, it would not be easy to help the contras build some semblance of unity and popular support. The contras' Machiavellian world, based on deep differences in ideology and personality and rife with backstabbing, repeatedly surfaced in 1986 as virulently as the fight against the Sandinistas itself. Moderate contras, despite constant State Department support, could not get the upper hand over the former National Guard officers and conservative businessmen who control the Nicaraguan Democratic Front (FDN), the largest contra guerrilla group. Even Adolfo Calero, a former Coca-Cola executive and the political chief of the FDN, has trouble on his right. Meanwhile, the 40 or so regional commanders run their units of several hundred troops as fiefdoms in personalistic "caudillo" style.

By April such infighting, combined with allegations of fraud, human rights violations and drug trafficking by the contras, put the Administration's contra aid request before Congress in jeopardy. The State Department, led by Assistant Secretary of State for Inter-American Affairs Elliott Abrams, used the crisis to attempt a remolding of the movement so it might gain badly needed legitimacy outside and inside Nicaragua. Abrams insisted that the three directors of the United Nicaraguan Opposition (UNO), the main contra political umbrella group, reorganize power relationships so that moderates could command the former National Guardsmen of the FDN.

In May the three UNO directors—Mr. Calero and former Sandinista junta members Arturo Cruz and Alfonso Robelo—held a tumultuous three-week summit in Miami to thrash out agreements. Mr. Robelo, a social democratic businessman, demanded an explanation from FDN military chief (and former National Guard Colonel) Enrique Bermúdez for statements disparaging civilian controls over human rights. Mr. Cruz even

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threatened to resign from the movement altogether. Mr. Calero made concessions—at least on paper—by agreeing to bolster the contra human rights commission and allow UNO to handle foreign affairs and supervise military activities. The State Department and congressmen who were undecided on contra aid were satisfied with the reforms, and the aid package got through the House on its way to final passage. But it was only a matter of weeks following the Miami meeting before the former National Guardsmen, backed by a cabal of right-wing civilians who surround Mr. Calero, began to reassert the predominance of the CIA-backed FDN over the State Department-backed UNO.

FDN leaders showed their contempt for the UNO moderates over the summer by establishing a new political party and a war council exclusively for FDN commanders—moves reportedly approved by a CIA operative—without even notifying the UNO. This time it was Mr. Robelo who threatened a rupture; the three leaders met again in October, and again State Department officials urged them to bury the hatchet. Whether or not UNO stays unified, the tensions within the contra movement will continue to impede efforts to retain congressional support, to build diplomatic backing and, most important, to make a serious military effort.

A U.S. invasion seems almost as improbable as a contra victory, and just as problematic. As contra leaders concede, their government would face a Sandinista guerrilla resistance—caches of weapons have already been stockpiled and concealed in the mountains in case of an invasion. Judging by the current disunity in the contra leadership, there would probably be a free-for-all for power. The United States, assuming that it would not leave the contras to their own devices, would find itself in the unenviable position of trying to hunt down guerrillas while putting together and propping up civilian authorities at the national and local levels.

Given that the anti-Sandinista forces have not even been able to hold a single town or attract meaningful popular support to date, there is cause for skepticism about future progress. One hundred million dollars will not remedy the fundamental flaws in the movement's makeup. Any realistic assessment of the money and effort required would surely deter many of the policy's tentative supporters. This raises a moral dilemma for the United States: is it fair to give the contras just enough military support to keep them alive, yet not enough to give

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them a chance to win? The longer aid is trickled in, and the larger the contra armies become, the more fighters will eventually be left without a country (and the greater the problem for Honduras).

The dilemma is all the more poignant for the more than 100,000 Miskito, Sumo and Rama Indians who populate the eastern half of Nicaragua. They have long sought to maintain their way of life, and have been provoked by the Sandinistas' attempt to exercise control over their land and fragile cultures. Many have taken up arms, though some are now negotiating with the Managua government. Many contra and U.S. officials believe that mobilizing the Indians' Atlantic coast front is crucial to dispersing the Sandinista army and cutting supply lines between Cuba and the population centers on Nicaragua's Pacific coast. One of the goals of the contra aid program is to isolate those Indian leaders who are negotiating autonomy rights with the Sandinistas. This is done by spreading propaganda and by equipping and training Indian leaders willing to heat up the war.

It would be a tragedy if Nicaragua's small Indian population meets a fate similar to that of the indigenous peoples of Southeast Asia who allied themselves with U.S. forces in the 1960s. The Meo tribesmen of Laos, like the Miskitos, accepted generous CIA aid to gain the autonomy they could not win on their own. Though they were excellent fighters, the Meos ultimately lost; some 20,000 were killed and about 100,000 became refugees.

Finally, there is the danger that despite U.S. efforts to create forces capable of governing democratically, the errors of past such attempts will be repeated. Some of Washington's political and military creations have in the past turned out to be tragically different than intended. Nicaragua's National Guard was founded in the 1920s to replace the feuding Conservative and Liberal Party armies, and to be a reformist nation-building institution. But the choice of commander was unfortunate; Anastasio Somoza Garcia used the National Guard as his personal force to found a family dynasty. Similarly in Guatemala the National Liberation Movement, founded with CIA assistance to take over after the fall of Jacobo Arbenz, temporarily undercut the left but over the long term divided the Guatemalan army and developed into a death-squad network that is still around. And in El Salvador in the early 1960s the CIA helped found what was originally conceived of as an anti-

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communist grass-roots political movement to complement Alliance for Progress social programs. Under Salvadoran leadership, that organization, known as ORDEN, became an 80,000-man paramilitary death squad that terrorized peasant villages across El Salvador a decade later.

Inside Nicaragua in 1986, the Managua government showed itself able and willing to maintain control and order, even if by repressive means. It closed the opposition newspaper, *La Prensa*, and expelled a prominent Catholic bishop in a clampdown just after the U.S. House passed aid to the rebel forces. It may be that the Sandinistas would have taken such repressive measures in any case, but the new U.S. aid has certainly provided a handy justification. Nevertheless, the regime continued to guarantee some pluralism, at least formally, by drafting a constitution that allows for private ownership, private religious education and even multiparty elections. A group of opposition parties announced that they would run joint candidates in the 1987 municipal elections, which could make the internal, unarmed opposition a more effective force for democratization. In the fall, President Daniel Ortega met with Cardinal Miguel Obando y Bravo in an attempt to heal the rift between the church and the government caused by the cardinal's outspoken criticism of the Sandinistas.

On the war front, the Sandinistas have been waging a successful counterinsurgency campaign. To deprive the contras of a support network, they have relocated Nicaraguans away from the border area and conducted sweeps picking up suspected contra collaborators.

The Sandinistas' combat and transport helicopters have effectively cut attacking rebels to shreds, and kept them dispersed. A few thousand contras do operate wholly within Nicaragua, especially in the sparsely populated central province of Chontales. They have reportedly been supplied by air drops made primarily from planes flown by American contract pilots, as was confirmed when the cargo plane shot down in October was found to contain arms. Overall, however, the contras made little if any military or political progress, striking mainly economic targets, civilians and militia, and ambushing vehicles in hit-and-run attacks.

IV

Nevertheless, the Reagan Administration argues that if the Sandinistas are permitted to consolidate their rule, the revo-

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lution can spread in the short term to El Salvador, Guatemala and Honduras, and in the longer term to Costa Rica, Panama and even Mexico. This new version of the domino theory fails to take into consideration two vital points: that the Sandinista revolution was a peculiar event not easily repeated, and that the region's other major leftist groups have blundered their way to marginality.

The Nicaraguan revolution was not a class war. Indeed, it was characterized more by middle-class militancy than by worker-peasant radicalism. The Sandinistas were a successful guerrilla force because they correctly analyzed and adapted to a political situation in which normally conservative elements were ready to rebel. Hiding their true agenda, the Sandinistas put forth a platform offering a mixed economy and political pluralism that attracted not only widespread popular support but also aid from Nicaragua's church hierarchy and several Western nations (including the United States in 1980). Furthermore, the three Sandinista factions put differences behind them and coordinated to win the war and form a government. In their fight against Somoza they avoided human rights abuses and economic sabotage that would have turned the population against them.

Nicaragua's dictator, Anastasio Somoza Debayle, was vulnerable because he was negligent about his own security needs. His National Guard had only about 10,000 men (one-seventh the size of the current Sandinista army) and possessed an inadequate intelligence apparatus. Somoza let his political machine, the Liberal Party, decay with corruption, and in the end lacked a base beyond his small praetorian guard. His mistakes, including stealing earthquake relief funds in the early 1970s, made it possible for the Sandinista National Liberation Front to fashion its remarkably broad (if temporary) coalition with the business sector and middle class.

President Reagan has called the Managua regime "a cancer," imagery that is associated with a spreading infection and painful treatment. It might be better described as the Central American wart; unattractive and difficult to remove, but relatively stable and manageable. The primary reason for such an assessment is the current political reality of Central America. Revolution has nowhere to expand, not because Green Berets block its path, but because conditions in the other nations of the region are significantly different from those that catapulted the Sandinistas into power.

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Marxism has long been and will continue to be a crucial element in Latin America's political landscape, but it is unlikely to be the dominating factor in a region where traditional Catholicism and conservatism have deeper roots. (Cuba was and is uncharacteristically undevout and Nicaragua is exceptional for reasons already discussed.) Those attributes are particularly extant in Central America, where anti-communist and pro-democratic sentiments have *grown* since the Sandinistas took power in 1979. Central America's balance of power is shifting away from the left; this is a vital political reality of the mid-1980s, one that ought to be paramount in the considerations of future policy goals and risks. The dominoes are not falling, although the U.S. government appears to be ignoring this calming thought.

El Salvador's guerrillas are slipping badly, without having faced a single American marine. A primary reason for their declining fortunes has been their own errors. They did not follow the Sandinista example of coaxing the middle classes into an alliance. By publicizing their Marxist philosophy and goals early on, the Farabundo Martí National Liberation Front, or FMLN, lost any chance of winning the support of the Salvadoran middle class. Worse still was their strategy. Between 1979 and 1981 the rebels exposed their civilian supporters to the state's repression by marching them in the streets without protection. The vast Salvadoran security apparatus was thus able to pinpoint cadres and the rebels lost their urban network. This network has not revived; the government repression of 1979–81 remains a powerful deterrent.

Following that period, the guerrillas showed their insensitivity by targeting the economy; thousands correctly blamed the guerrillas for their unemployment, transportation difficulties and power shortages. The guerrillas further weakened their cause by copying the Salvadoran army's forced-recruitment techniques. More recently, they have caused undue civilian casualties by indiscriminately planting land mines. Moreover, the FMLN's bitter factionalism, and the consequent ugly political executions, robbed the movement of its political legitimacy and hindered its becoming a cohesive force. The Salvadoran rebels long ago lost their moral imperative and were beaten back as much by their own errors as by government repression and U.S. policies.

The demonstration effect of the Sandinista revolution in Nicaragua was also a powerful deterrent to would-be support-

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ers of revolution in El Salvador, as well as in Guatemala. Once in power the Sandinistas quickly disenfranchised Nicaragua's middle class and turned most of the Roman Catholic Church against them. This sent a warning to the Guatemalan and Salvadoran middle classes and church establishments that alliances with armed rebel groups were foolish.

The Carter and Reagan Administrations, as well as Congress, deserve credit for pushing for some vital economic reforms in El Salvador and improving the army's once miserable combat and human rights record. In part, Washington's success is based on its aversion to sending in the marines when it looked as if the guerrillas might win; by limiting the number of advisers to 55, the United States forced San Salvador to win its own battles.

While the fortunes of the Salvadoran guerrillas declined in 1986, the war is far from over. But over the last three years, U.S.-supplied jets and helicopters have given the Salvadoran armed forces the firepower they needed to turn the tide of the war by forcing the guerrillas to disband their battalion-sized units. Once able to roam at will through about one-third of the country, the guerrillas now move at night in small bands.

Civilian president José Napoleón Duarte continues to face tremendous difficulties, even if imminent revolution is not one of them. El Salvador's government and guerrillas held preparatory talks for a third round of dialogue, but they broke down in September, leaving little hope for a negotiated end to the war in the near term. After a devastating earthquake hit El Salvador in October there was a brief slowdown in the war, but it could not be sustained. A new labor federation was formed, having some sympathy for FMLN but motivated more by a desire for an end to the war and by economic discontent. Duarte's main problems now are economic, and the continuing frustrations posed by an overstrong military.

The other Central American country facing an organized guerrilla movement is Guatemala, which has received minimal U.S. military aid since 1977. Despite this, Marxist rebels there are doing even worse than those in El Salvador. One reason for their weakness is that they took their main supporters, the Indians, for granted and exposed them to army repression. In the early 1980s, two of four guerrilla armies, believing their own triumphalist propaganda line, went on the attack across the country and spread themselves too thin. They promised scores of villages they would supply defense against the military in return for open support; but when the army swept through

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the highlands between 1982 and 1984, the rebels retreated and tens of thousands of Indians were massacred. Mistrust of the guerrillas is palpable to this day. In 1986 the guerrilla movement, reduced to a few "focos" in the highlands and the Petén jungle, harassed explorations for oil but did not seriously hamper Guatemala in any other way.

President Vinicio Cerezo, Guatemala's first civilian president in two decades, took office in January, but the level of bloodshed and violence that has plagued the country for years remained high in 1986. To retain his hold on power, Cerezo limited his challenges to the army's ultimate control. He calmed the army's fears that he would take radical actions by resisting the pressures of Guatemalan human rights activists to move against officers allegedly involved in past death-squad activities.

V

Armed groups have not emerged in any serious way in Costa Rica or Honduras, even though the two countries border Nicaragua. In 1986 Honduras and Costa Rica grew increasingly wary of their Sandinista neighbor, but they did not seriously court an alliance with the contras. They heartily dislike the Sandinista government next door, but worry just as much about the effects of the contra presence on their territory and the U.S. policy of supporting it, which is destabilizing their countries, exposing them to Nicaraguan retaliation, and distorting attempts at democratic rule, especially in Honduras.

The Reagan Administration is pursuing a reckless policy in Honduras. The country is being used as a staging ground for attacks on Nicaragua, without consideration of what effect such activities will have on Honduras itself. Already, the contras have displaced many thousands of Hondurans from the border zone and are leaving resentment in their wake. Conservative coffee growers and cattle ranchers want the contras out for economic reasons; more important, the Marxist labor movement is using the contra issue effectively to galvanize discontent among workers. There is widespread concern among Honduran civilian officials that because a contra victory is improbable, future governments will face a well-equipped and experienced fighting force larger than the Honduran army on Honduran territory.

A more immediate danger, that of a war breaking out between Honduras and Nicaragua, increased in 1986. Sandinista troops held highland positions within Honduras for most

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of the year to prevent contra infiltrations, and nationalist pressures on the Honduran army to enforce national sovereignty mounted. Some Honduran hard-liners are said to welcome a Honduran-Nicaraguan confrontation in order to request immediate U.S. support and thereby draw Washington into a war with Nicaragua. But this seems to be a minority view. Tegucigalpa at first attempted to look the other way when 800 Sandinista troops crossed the Honduran border in March to flush out some contras. Washington reportedly urged the government of José Azcona to request U.S. transport so Honduran forces could round up the Sandinistas and to protest publicly to Managua.

But Honduran military officers became increasingly uncomfortable watching from the sidelines as contras and Sandinista soldiers fought on Honduran soil. In December a significant escalation occurred when, after weeks of fighting between the contras and Sandinista troops inside Honduras, Tegucigalpa decided to take military action. Honduran war jets bombed Sandinista army positions on both sides of the border while U.S. helicopter crews ferried Honduran troops to secure the frontier. Such pressures, combined with the perception that the Iran crisis was paralyzing U.S. contra policy, led the Honduran government to request in early December that Washington see to it that the contras leave Honduran territory as soon as possible. The United States privately agreed with the Hondurans that the contras should infiltrate into Nicaragua by mid-1987 but, considering Sandinista army superiority, this will not be an easy task.

Previous Honduran attempts to assert control over its territory and decisions affecting it have been stymied. Tegucigalpa has unsuccessfully pressed Washington for a pledge to accept contra refugees after the war is over. And, while a U.S.-Honduran military commission has been formed to coordinate policy, the civilian government appears increasingly weak. Former U.S. Ambassador to Honduras John Ferch said in a July *Newsday* interview that the Administration's policy was undercutting Honduras' nascent democracy. "They want somebody [as ambassador]," he claimed, "to be strong enough and proconsul enough that no Honduran government is going to object to anything."

Costa Rica has been more successful than Honduras in avoiding involvement in the contra war. Since President Oscar Arias was inaugurated in May, he has backed off his predecessor's

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secret policy of aiding the contras and reasserted San José's traditional neutrality. He banned contra military activities in his country, shut down an airstrip and even closed a Nicaraguan rebel medical clinic. Although he is highly critical of the Sandinistas' totalitarian tendencies, President Arias believes the contra war does his country more harm than good, and does not believe the contras can win. He fears that an escalation of the war would propel more Nicaraguan refugees into Costa Rica, further taxing government services, scare capital out of his country and possibly force San José to reverse its policy of refusing to create a standing army.

But Arias' control is limited; only Washington can stop the war and encourage a diplomatic settlement of the Nicaraguan conflict. His government, like others in the region, gave the Contadora peace process on-again, off-again support, but the regional negotiations went nowhere. As long as the United States does not support the process, the Central American governments are likely to remain ambivalent.

President Reagan is right to be concerned about the stability of Mexico and Panama, for these countries occupy the most strategic positions in the region. But his reasons for concern are the wrong ones. Mexico and Panama face serious economic and political problems that have nothing to do with anything Russian, Cuban or Nicaraguan. Both the Mexican and Panamanian governments have excellent relations with Cuba. Neither country has an insurgent movement or is likely to develop one, because some Marxists are already in the ruling parties while other radicals have formed political parties that are committed to working within the existing political process, much as their European counterparts are.

In Mexico, the greatest challenge to the Institutional Revolutionary Party, or PRI, comes from the right, not the left. State and city elections in 1986 showed the strength of the main rival, the conservative National Action Party, primarily in the north. The left in Mexico is divided and largely coopted by the PRI-dominated system; it is not a revolutionary force. Both left and right are putting pressure on the PRI to stop corruption in the party and government and to democratize the system, but they do not pose an electoral threat on the national level. If the PRI fails to reform, it will be increasingly besieged and protests will mount, but the system is far from crumbling. Progress on the economic front would take much of the steam out of the political discontent. The favorable terms concluded

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this fall for rescheduling Mexico's foreign debt gave the government some breathing space for undertaking sorely needed reforms.

Likewise, Panama's regime is shaky but not because communists are taking over in the streets. As in Mexico, the main challenge comes from a middle class tired of the abuses of undemocratic power; most of the poor have backed the government, in which the military has played a dominant role since the time of General Omar Torrijos. There was a burst of publicity this year about alleged drug dealing and intelligence sharing with Cuba by General Manuel Noriega, the military chief who controls Panamanian affairs behind the scenes. Noriega denied the charges, but many in the opposition parties see the current civilian president, Eric Delvalle, as unable to exercise control over Noriega. Even though U.S. Senator Jesse Helms (R-N.C.) confirmed the charges against the general, U.S.-Panamanian relations remained close, as they have been since the Panama Canal treaties satisfied the strong nationalism that dominates Panamanian politics. Despite its problems, the near-term outlook for Panama is continued stability.

VI

Even if there are no dominoes falling in Central America, the question of the Soviet role remains. Soviet bloc influence has been secondary to the ups and downs of the left in each and every one of the Central American countries. The Sandinistas (and the Cubans) came to power with limited Soviet bloc assistance. Most of the arms and ammunition that the Sandinistas used to take power came through Costa Rica from Venezuela and Panama, not Cuba.

Since 1979, however, Managua has received extensive military, economic and technical assistance—including thousands of advisers—from the Soviet bloc. Nevertheless, there are persistent reports of Nicaraguan officials returning from Moscow frustrated at not having received the amounts of aid, particularly in desperately needed hard currency, they sought. Soviet military aid to Nicaragua picked up in 1986, after dropping in 1985 from 1984 levels, but Moscow's aid program amounts to little more than a safety net. Aside from some powerful anti-insurgency helicopters, the arsenal the Soviets have provided the Sandinistas is certainly inadequate for an invasion of their neighbors. Despite Managua's considerable inferiority in air power vis-à-vis El Salvador and Honduras, the

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Soviets have repeatedly refused to send Nicaragua MiG jets—in part because the United States has indicated it would remove them by force if delivered.

Soviet bloc advisers have concentrated on defensive and infrastructural projects; their help is vital for training Nicaragua's ideologically convinced youth how to run their new society. East Germans teach telecommunications and security techniques. Bulgarians advise on modernizing ports and the tobacco industry. Russians are attempting to make Nicaraguans better fishermen. The Cubans are the most aggressive helpers; they sometimes fly helicopters and send advisers into combat.

Fidel Castro's stake in the success of the Nicaraguan revolution is much greater than the others', insofar as he sees himself as the spiritual father of the Sandinistas and the leader of Latin American, if not all Third World, revolutionaries. But even Castro has drawn limits to his support for the Sandinistas. Following the 1983 U.S.-led invasion of Grenada, and again during the February 1986 meeting of the Cuban Communist Party Congress, Castro made it clear that while Havana was prepared to increase its aid to Managua to offset Washington's escalations, he was not prepared to send troops to Nicaragua to defend against a U.S. invasion.

The number of Cuban military advisers in Nicaragua remained constant in 1986; 100 had been sent back to Cuba in 1985, but Nicaragua said that they could return if needed. Cuba will provide moral support and as much manpower and training as Nicaragua needs. But Castro has counseled the Sandinistas from the time they came to power that they would have to maintain broad ties with the rest of the world in order to secure the necessary aid and political support. Therefore, unlike Cuba in the early 1960s, which had a more generous and adventuresome patron, Nicaragua must retain a measure of political pluralism and coexist with a domestic private sector in order to continue trading and receiving aid from Western Europe.

One limitation on Cuban aid to Nicaragua is Havana's preoccupation with its own economic crisis. Cuba's most important foreign-exchange earner, reexported Soviet oil, fell in value over most of the year. In recent years, the island nation could not even produce enough sugar to fill its export quota to the Soviets. Faced with lagging labor discipline and production and rising debt, Castro grumbled that his revolutionary cadres were growing lackadaisical. He reversed a ten-year economic reform

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program in 1986 by watering down housing reform and dissolving private farmers' markets. A full-blown cultural revolution could come next.

Beyond Nicaragua, both the Soviets and Cubans show themselves to be even more circumspect when it comes to backing insurgencies in the rest of Central America. The Soviet bloc did make a concerted effort in El Salvador for a fleeting time, when the Salvadoran rebels promised to take power in a January 1981 "final offensive" that would force the incoming Reagan Administration to accept a fait accompli. But when the FMLN failed miserably, principally because the predicted popular insurrection did not happen, the Soviets and Cubans appeared to realize that the time was not right for a concerted aid effort. The Soviet bloc could have sent the Salvadoran guerrillas surface-to-air missiles to defend themselves and their rural support base. But Moscow did not, apparently fearing that such a counterescalation would lead to U.S. shipment of surface-to-air missiles to the Afghan insurgency.

The Soviet bloc has been particularly miserly in supplying the Guatemalan guerrillas, whose forces got little help from anybody when they were shattered between 1982 and 1984 by the Guatemalan army. Since Guatemala is an oil producer, the largest and most developed nation in the region, and the land bridge between Central America's strife and Mexico, the Soviet bloc could have been expected to make a concerted effort there. Instead, Castro has suggested that Guatemala's Christian Democratic president represents a progressive force in the region.

Moscow is playing a no-lose game in Nicaragua. By supporting Managua against "Yankee imperialism" the Soviets project themselves as the natural ally of the Latin American left. But they are keeping their support limited. In the unlikely event of a U.S. invasion, the Soviets cannot be expected to defend Nicaragua any more than they did Salvador Allende's Chilean regime when it was overthrown by a coup. Of course, Moscow would not hesitate to make significant propaganda gains from such an invasion, just as it now capitalizes on the "aggressiveness" of the U.S. posture.

The Soviets will continue to look for opportunities to expand their influence and strategic position. Mikhail Gorbachev, however, seems to recognize that Central America does not represent a ripe opportunity; he barely mentioned the region in his speech to the Soviet Communist Party Congress in March

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1986; his caution is particularly understandable when considered within the context of his apparent desire to negotiate with Washington over nuclear arms. Several U.S. diplomats stationed in Central America privately share the view that the Soviet Union is not about to intervene in Central America. Ambassador John Ferch went on record to state that "The Cubans and Russians are not going to throw in troops. . . . They are so concerned about a clash with us that they'll be very cautious."

Gorbachev certainly remembers that another would-be economic reformer, Nikita Khrushchev, lost power in part because he triggered the Cuban missile crisis and then backed down before U.S. military superiority. Today Cuba is a loyal Russian ally, a valuable strategic asset, but also an economic drain on Moscow and its allies. It is also a model of economic stagnation for the rest of Latin America.

If the Soviets ever decide to make the kind of commitment to Nicaragua that they made to Cuba, they would be taking on an even greater economic burden—the kind the Soviets recently decided not to embrace in Mozambique. Nicaragua offers COMECON little not already subsidized from Cuba. With human and infrastructural resources far inferior to Cuba's, high unemployment, a worthless currency and annual inflation exceeding 600 percent, Nicaragua would represent a costly, as well as dangerous, commitment. There is little evidence that the East is making the kind of commitment needed to build a working socialist system in Nicaragua. One index is trade: Nicaragua's Eastern bloc imports and exports represent about 40 percent of its total trade, compared to Cuba's 85 percent figure for trade with the bloc. Furthermore, seven years into the revolution, half of Nicaragua's production is still in private hands; Castro socialized his economy within three years. In short, the current balance of power in Central America, along with Washington's far-reaching geographical advantages, dictates that Moscow refrain from fully incorporating Managua into its bloc.

VII

Containment is thus already at hand in Central America. President Reagan could take some credit for the improved strategic situation, but he chooses not even to acknowledge it. The Administration's rhetoric and policy are designed not to promote containment but to roll back communism. The public

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debate over the developing U.S. role in Central America needs to consider the pros and cons of these two alternatives.

If the Soviets and Cubans were in fact making an aggressive effort to take control of Central America, the United States would be obliged to counteract them every step of the way. A covert war against Nicaragua combined with the military aid effort in El Salvador would not be a strong enough response. But the truth is that both the Soviet Union and Cuba have been but cautious participants in Central America's turmoil, which still arises primarily from local dynamics rather than the meddling of external powers.

There are several steps Washington can take to contain Soviet bloc interference in Central America, and even reduce it. Some correct policies are already in place: U.S. military presence and maneuvers in Honduras send appropriate signals to Managua and its allies. President Reagan's warning that the introduction into Nicaragua of MiGs or other advanced jet bombers will trigger a U.S. military reaction to take them out lets adversaries know that they cannot get the upper hand militarily in Central America. It must also remain unmistakably clear that a Soviet military base in Nicaragua is unacceptable.

Now is the time to negotiate reductions in the number of communist military and civilian advisers in Nicaragua and eventually the size of the Sandinista army itself. The general Contadora guidelines, which are formally supported by Moscow and Havana, are a starting point, but they need to be tightened with tough enforcement measures that would directly involve the United States and its Latin American allies. Finally, a long-range policy is needed to check future insurgencies; the United States should consistently encourage economic, social and political reforms across the region.

In Vietnam, the worse the situation on the ground became, the more upbeat the Johnson Administration's prognostications. In Central America, the opposite is true; the more conditions improve, the more dire Washington's report. The White House refuses to see the light at the end of the tunnel. U.S. policy is supposedly designed to promote security in the region, but in practice it makes the isthmus less stable. A policy of containment ensures the security of the isthmus by blocking the spread of communism, without increasing the risk of war in Central America. Containment is not an ideal solution, but it is a feasible one. The task for 1987 is to work for a diplomatic complement to containment.

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Samuel W. Lewis

ISRAEL: THE PERES ERA AND ITS LEGACY

When Shimon Peres became prime minister of Israel on September 14, 1984, his country was weary of the bloody Lebanese quagmire and disoriented by an inflation rapidly spiraling out of control. Just over two years later, Israel has found imperfect but at least temporarily acceptable solutions for those problems, and Peres' term in office has ushered in what could become an extended period of government by coalition and compromise.

Seven years under Menachem Begin and Yitzhak Shamir, the prime ministers of the hard-line Likud bloc, had unexpectedly produced the first formal peace treaty with an Arab adversary. Israel's most crucial foreign policy relationship, the unwritten alliance linking Jerusalem and Washington, was healing well after being battered by the controversies surrounding the 1982 invasion of Lebanon. Shamir and his defense minister, Moshe Arens, had successfully restored a civil tone to Israel's dialogue with the Reagan Administration, as Jerusalem and Washington abandoned confrontation over Lebanon in favor of policy coordination—though success in breeching the Lebanese impasse remained hopelessly elusive. Shamir had persuaded President Reagan to launch a meaningful U.S.-Israeli strategic cooperation that was low-key, practical and professional, shunning the bombast and inflated pretensions of the abortive 1981 effort pushed by Begin and his defense minister, Ariel Sharon.

But by the time Israelis voted for a new Knesset on July 23, 1984, those Likud accomplishments were dwarfed by the inflationary tornado and by a disillusioned sense of helplessness about Israel's stalemated military position in Lebanon. The Israel Labor Party expected to capitalize on that mood, but it

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was sorely disappointed. Israel's electorate wanted new leadership in Jerusalem, but even more strongly it wanted an end to squabbling among political leaders, who seemed to put party interests ahead of solving urgent national crises. Polls taken during the final weeks of the 1984 campaign revealed the true mood of the voters; an overwhelming majority preferred a broad coalition government that would include both Likud and Labor. When the electoral results were in, neither Peres, whose Labor Party won the plurality, nor Shamir of Likud could put together the 61-vote majority necessary to form a government. They joined forces in a coalition cabinet, but with great reluctance and only for lack of any alternative.

So was born that strange "Government of National Unity" which has now ruled Israel for more than two years and could well endure for its planned duration, 50 months, until the next regularly scheduled election in 1988. Peres and Shamir added a unique feature to this coalition: a personal agreement to share the prime and foreign ministries between them, with Peres as prime minister and Shamir as foreign minister for two years, and a reversal of roles for the second two years.

Thus Shimon Peres, having led his party three times in national elections since 1977, and having twice seen commanding leads melt away during the campaign, finally achieved the office toward which his entire career in politics and government had pointed. The prize, however, hardly looked promising when it finally came to him.

II

To assess Peres' performance as prime minister it is essential first to understand that this was *not* a "Peres government." Peres had received no electoral mandate for his party's program nor indeed for his own political priorities. He was leader, temporarily, of a broad coalition which enjoyed the support of more than 85 of the Knesset's 120 members, bound together by a detailed contract between Labor and Likud. Each bloc held 12 portfolios in the cabinet of 25 ministers, with the extra cabinet seat in the hands of the veteran National Religious Party leader, Joseph Burg, who had over his long career worked with both Labor and Likud. Even more constraining was the so-called inner cabinet of five members from Labor and five from Likud, empowered to decide all major issues of foreign policy and national security. No inner cabinet decision could be appealed to the full cabinet without the mutual

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agreement of Peres and Shamir. In short, the structure of the government was designed to carry out the mandate of the Israeli people for government by consensus.

By the time Peres took office, consensus existed on the two most pressing items of the national agenda: the economic crisis and the need to disengage from Lebanon. Indeed, the 1984 electoral campaign had been remarkably civil, especially by comparison with Begin's fiery attacks against Peres in 1981. Labor chose not to rub much salt into the wounds inflicted on Likud by the continuing mess in Lebanon. Both parties essentially advocated the same line: withdrawal of Israeli forces as soon as "adequate security arrangements" could be worked out for southern Lebanon. Although Labor had tried to pin the blame for the escalating economic crisis on disastrous Likud policy decisions of previous years—where it belonged—Shamir had in fact already adopted the cause of austerity and belt tightening during his year-long first term as prime minister in 1983–1984, albeit with little success.

There was little dispute, therefore, between Shamir and Peres over the need for budget cutting, credit restraint, and general austerity to curtail inflation and halt the hemorrhage of Israel's foreign exchange reserves. Peres had based his campaign on Labor's greater expertise and experience in government, saying in effect, "we know how to govern, they only know how to talk." However, once the government was formed, negotiations over the allocation of portfolios ended with Likud ministers holding the preeminently powerful Ministry of Finance plus most other key economic ministries, including Industry, Housing, Transport and Labor/Social Welfare. Furthermore, except for their general agreement on an overall austerity, Labor and Likud differed markedly on economic philosophy, on proper burden sharing between wage earners and business enterprises, on acceptable levels of unemployment, on the role of the public sector in Israel's semi-socialist economic system, and so on. These philosophical differences would be reinforced by the clamoring for relief of various interest groups with powerful cabinet patrons, such as the school teachers.

The coalition's leaders also agreed on the need to persuade Egyptian President Hosni Mubarak that the Israeli-Egyptian peace treaty should be more completely implemented by "normalizing" commercial relations, cultural exchanges, tourism and diplomatic ties. This agreed principle concealed, however,

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a crucial difference between Peres and Shamir, centering on the festering dispute over the thorny Taba controversy, the question of sovereignty over a small strip of beach near Eilat. Shamir believed that Egypt should first fulfill all its treaty obligations before Israel accommodated Mubarak's political needs and submitted this dispute to international arbitration. Peres was eager to resolve the matter as quickly as possible, as a key to warmer relations with Cairo, and in order to give the Israeli public a renewed sense that exchanging territory for peace was worth the sacrifice.

On the broader question of renewing the Israeli-Arab "peace process," the coalition's program contained much "least common denominator" language: keeping the pursuit of peace "at the top of the agenda"; trying to advance the peace process "in accordance with the Camp David agreement" of 1978, and seeking to renew negotiations to establish "full autonomy for the Arab inhabitants of Judea, Samaria [the West Bank] and Gaza"; calling on Jordan to join in peace negotiations and committing the government to "take into consideration any proposals which Jordan might raise in those negotiations." Labor and Likud agreed to oppose any independent Palestinian state and rejected any idea of negotiating with the Palestine Liberation Organization (PLO). Moreover, the coalition agreement specified that there would be no change in sovereignty over Judea, Samaria or Gaza during the term of the national unity government unless agreed to by both Labor and Likud, thus effectively blocking both Likud's "annexationist" impulses and any possible "territorial compromise" ideas which Labor might wish to pursue.

These were the programmatic constraints on the prime minister's freedom of action. But complicated intraparty rivalries threatened to make leadership of this cumbersome coalition even more taxing. Although he was finally the undisputed leader of the Labor Party, Peres nevertheless had to handle with kid gloves his Labor colleague at the powerful Defense Ministry, former prime minister and longtime Peres antagonist, Yitzhak Rabin. Rabin remained bitter; he believed that Peres had undermined his authority between 1973 and 1977 when their cabinet roles had been reversed. Moreover, the coalition agreement assured that Rabin would retain the second most powerful post in the government, minister of defense, for the full term of the coalition cabinet, whereas Peres could count on no more than two years as prime minister.

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Shamir was Likud's leader but had never been fully anointed as Menachem Begin's heir to the Herut Party, the major component of the Likud bloc. He faced a growing challenge for the Herut leadership from Deputy Prime Minister David Levy and Ariel Sharon (named minister of industry and commerce in the national unity government), plus chronic obstreperousness from Minister of Finance Yitzhak Modai, leader of the Liberal Party, Herut's junior partner in Likud.

Neither Peres nor Shamir could easily bring their party colleagues to support even those policies on which they themselves agreed. Economic issues were especially thorny; Shamir usually left to Peres the often excruciating task of rounding up support—even from Likud cabinet members—for Finance Minister Modai's painful but necessary budget-slashing proposals.

Finally, looming over every major issue was the shadow of the next election. Labor and Likud had joined forces reluctantly, out of sheer necessity. At the start, neither party believed this unnatural marriage would survive two years, until the date set for the "rotation" between Peres and Shamir, much less for its full four-year term. Assuming that some crisis would provoke early elections, most ministers were anxious to cast blame on their new coalition partners for painful decisions, especially with regard to the economy and Lebanon. Each party resented having to hedge its own programs and ideological pronouncements within the narrow middle ground of the coalition agreement. Neither could turn its attention for long from the public opinion polls or its calculations of future electoral advantage. Few politicians could long put aside party competition within the coalition framework, for few saw the government as anything but a temporary hiatus between elections. It fell largely to the prime minister to create a sense of bipartisan national purpose for his government; this proved to be his most difficult challenge.

Thus, the Government of National Unity might easily have become a "Government of National Impasse." That it did not was largely due to Shimon Peres' extraordinary talent for conciliation and persuasion, as well as his dogged tenacity, though Yitzhak Shamir's stolid sense of responsibility and his determination to resist political provocation also played an important part.

Against this backdrop of crisis and constraint, Peres set forth his goals as prime minister and pursued them with unusual

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determination and rigor. They were: first, to withdraw Israeli forces from Lebanon as quickly as possible in whatever fashion would best safeguard the security of Israel's northern border region; second, to stem runaway inflation, rebuild foreign exchange reserves and revive the moribund economy; third, to "normalize" relations with Egypt; fourth, to repair Israel's tarnished public image in Europe and elsewhere abroad; fifth, to create a more tolerant, less shrill domestic political climate after years of ugly confrontation and divisive rhetoric that had polarized Israeli society; and sixth, to revive the "peace process" by reaching out, especially to Jordan and also to Egypt, to lay the groundwork for—and if possible to launch—negotiations, all in close coordination with the United States. Peres also sought to ease the harshness of the Israeli administration over the Palestinian inhabitants of the occupied territories, devolve some greater responsibility upon them and improve their "quality of life."

Peres' agenda also had a political and a personal goal. He sought to regain for his Labor Party enough voters who had drifted away in recent years for a large plurality in the next election, so as to then be able to form a true Labor government, no longer dependent on the hobbling alliance with Likud. He was also determined to reverse his own public image as devious and unreliable, an image that had dogged his political path in recent years, fed by Rabin's animus and Likud slanders. Not only did he seek to renew his personal popularity, which had ebbed badly since his defeat in the 1977 elections, he also sought to reaffirm his credibility as a statesman and national leader.

It was an ambitious agenda, and he had two years or less to achieve it.

III

As soon as Peres was sworn in as prime minister on September 14, 1984, he called publicly on King Hussein of Jordan to negotiate peace with Israel. He also pledged that Israel would withdraw from Lebanon "in a matter of several months" and launched emergency stopgap measures to confront the economic crisis: a nine-percent devaluation of the shekel and intentions to carry out a huge cut in the national budget. Within ten days the cabinet imposed new taxes on luxury goods and business assets, while Finance Minister Modai announced

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his intention to slash subsidies for basic food items and fuel. A six-month ban on 50 luxury imports followed a few days later.

Peres then turned to preparing for his first trip to Washington as prime minister. He was by now acutely aware that Israel needed additional psychological and financial backing from the Reagan Administration to prevent a crisis of confidence in international financial circles. But he was on notice from Washington that he would have to show a credible plan for deep budget cuts and other needed reforms before emergency U.S. aid could be considered. He succeeded beyond even his own expectations. During three days in Washington in early October, symbolically flanked by his new coalition partner, Vice Prime Minister and Foreign Minister Shamir, Peres delivered a masterful analysis of Israel's dilemmas and his government's intentions. He impressed President Reagan, Secretary of State George Shultz, their top advisers, leaders of Congress and influential journalists with the seriousness with which Israel was now tackling its problems. By the end of his visit, personal rapport with top U.S. leaders had been strongly reinforced, American public support for Israel augmented, and the vital U.S.-Israeli relationship fully restored to a high degree of intimacy and trust.

Peres furthermore obtained the assurance he sought, that the United States would stand ready to provide emergency financial support should some of the drastic economic measures he contemplated bring dangerous pressure on Israel's financial reserves. The wide-ranging Washington talks also produced an impressive degree of strategic and tactical agreement on future approaches to Lebanon, Egypt, the Arab-Israeli peace process and U.S.-Israeli military cooperation. The personal rapport Peres achieved with Reagan and Shultz, in particular, would carry him through some rough waters later in his term of office.

IV

Throughout Peres' term, the cabinet's domestic agenda was dominated by the imperative of facing up to long overdue economic decisions. The nation had lived too long too far beyond its means. With almost no real economic growth, a staggering tax and defense burden, and growing dependency on U.S. aid, prices and wages had continued to rise, driving each other steadily higher under Israel's highly indexed, linked and unionized economic structure. The shadowy "black econ-

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omy" flourished. Stock market speculation and government inattention had produced an unprecedented crisis in the banking system in September 1983. An austerity program launched in October by Shamir's cabinet had foundered by early 1984, a victim of political pressures.

By October 1984, inflation was running at an annual rate of more than 1,200 percent, fueled by a budget deficit in excess of 15 percent. Foreign exchange reserves were ebbing away rapidly as Israelis lost confidence in their own currency, exchanged their shekels for dollars and amassed luxury consumer goods, mostly imported, no matter what the nominal cost in debased shekels.

Emboldened by the assurances Peres obtained in Washington the cabinet adopted an emergency economic package on October 23, including a three-month freeze on wages and prices, and called for sharp cuts in public-sector jobs. With that breathing spell achieved, Modai wanted to slash wages and profits by administrative decree and then push tight legislative constraints through the Knesset. Peres, true to his personal proclivities and sensitive to the Labor Party's key support constituency, the powerful Histadrut labor federation, opted for voluntary cooperation. He gathered Israel's government, labor and business leaders in prolonged negotiating sessions to hammer out a broad "package deal" to replace the temporary program before it expired. To overcome sharp personality clashes with the brilliant but volatile and autocratic Modai, Peres himself devoted endless days and nights to cajoling, lobbying and wearing down the disputing interests.

Never before had an Israeli prime minister become so immersed in economic policy making. No economist, Peres nevertheless mastered the technical issues sufficiently to win the cabinet's support despite many members' misgivings, making good use of friendly advice from Washington not to falter. Agreement was finally reached in late January 1985 on a broad package, set to last for eight months, which included extended price and wage controls, elimination of most subsidies, a 10-percent cut in the overall government budget, harsh credit restraints, and a de facto weakening of wage-price linkage. Other measures to stem the outflow of foreign currency were promptly enacted by the cabinet.

Peres had used his leadership skills to parley the crisis into a national consensus by persuasion rather than compulsion. The program was not as drastic as economic experts in both Jeru-

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salem and Washington had urged, but as a political achievement it was stunning.

Unfortunately, during the first half of 1985 the package slowly unraveled. The Achilles' heel was the budget; deep cuts approved reluctantly by the cabinet were only partially implemented. Government monitoring of price controls proved flawed. Inflation, which had almost been stopped in its tracks by the wage-price freeze, began to accelerate again. Workers' wages were easier to freeze, and indeed to slash in real terms, than profits were to control, civil servants to dismiss or government budgets to monitor. Some public confidence had been restored, but it proved fragile. From February on, impending nationwide elections for the leadership of the Histadrut, set for early May, cast a lengthening shadow. Israel Kessar, the canny new Histadrut leader, had agreed to remarkable reductions in workers' real income in the January "package deal." He could not be pushed further until after May without jeopardizing Labor's crucial predominance in the Histadrut, and Peres was acutely conscious of this political constraint. Consequently, Modai's proposals for further tightening of the austerity noose, for example on remaining subsidies, fell upon largely barren ground among Peres and his Labor Party advisers. Revisions in the crumbling package were negotiated in late March and the budget was further pared down—on paper—but the erosion continued. However, when Kessar won nearly 70 percent of the Histadrut vote on May 13, Peres plunged back into the economic fray.

By late June, the "package deal" had nearly collapsed. Unofficial price hikes and under-the-table salary increases were rampant throughout the economy and inflation was rising rapidly. All over the country, workers were striking for wage relief and manufacturers were demanding price increases to compensate for rising costs. Government budget cuts remained unrealized. Peres concluded that there was now no alternative but to swallow the bitter medicine being pressed on him by the Finance Ministry, strongly seconded by U.S. Secretary of State Shultz' two outside economic advisers on the Israeli economy, Herbert Stein and Stanley Fischer. In marathon cabinet sessions on June 30 and July 1, Peres pushed through a sweeping plan of economic emergency measures for renewed austerity, uncharacteristically cracking the political whip over other Labor Party ministers who opposed the new emergency regulations by threatening to resign if the plan were rejected. Even-

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tually only seven Likud ministers opposed the program's adoption and the Knesset endorsed it overwhelmingly the following day.

This was the turning point for the Israeli economy. The combination of measures included not only deep spending cuts, a renewed wage-price freeze, new special taxes, public-sector layoffs and elimination of certain subsidies that had wormed their way back into a prominent place in the budget deficit, but, significantly, a devaluation of the shekel by 18.8 percent. This was joined with a firm decision to freeze the exchange rate for the foreseeable future and to cut real wages deeply by suspending the linkage in wage contracts between the cost-of-living index and wage levels. Workers were not to be compensated for the one-time immediate jump in prices produced by the large currency devaluation and by elimination of subsidies. The immediate effect was a nearly 25-percent slash in real salaries, in a country where average take-home pay ranges from $400 to $800 per month—bitter medicine for all wage earners and especially for Labor's trade union supporters.

Israeli and American economists, journalists, and officials generally applauded Peres' leadership and the cabinet's belated courage. Israeli society, however, erupted with angry demonstrations, general strikes and ideological debate over the cabinet's use of emergency powers. Television technicians even went on strike to prevent Peres from appearing before the nation to explain the emergency measures. Modai's Likud colleagues castigated his role. Peres stood firm. He gave just enough ground to the Histadrut on technicalities to allow some face saving for Kessar, but he withstood the pressure. By early fall it became clear that the medicine was working; inflation was again halted, and this time it would continue to ebb until the cost-of-living index actually fell briefly for the first time in decades. The economy slipped into a deepening recession and unemployment rose, but only moderately, and productivity began to increase, again a near-forgotten phenomenon in Israel. Exports surged, imports shrunk. A new shekel, valued at 1,000 of the old, appeared to symbolize the economy's newfound stability. Confidence slowly returned. Israelis sighed, but mostly they did so with relief that the inflationary beast had finally been caged.

The second year of Peres' term, 1986, passed without major economic backsliding. However, budget deficits remained too high and more cuts had to be made; defense spending has now

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been slashed to levels that Defense Minister Rabin and other experts believe may erode Israel's long-term security. Medical services and education have been severely affected; a prolonged nurses' strike produced painful hospital scenes for weeks in the late summer and early fall of 1986. By the end of 1986, inflation had seemingly settled at about 25 percent annually, but inflationary pressures still lurked menacingly nearby. Peres and his colleagues had won a major economic battle, but the war was far from over.

Israel's financial reserves are again healthy, in part as a result of $1.5 billion in emergency U.S. aid disbursed during 1985 and 1986, but exports have not grown rapidly enough. The economy as a whole has not yet begun to grow significantly, and until healthy growth is restored no Israeli leader can be confident about the future. Nonetheless, Peres, Shamir, Modai, Kessar and their colleagues in the private sector achieved something akin to a miracle: halting runaway inflation by wholly democratic means. It was another demonstration that Israelis are at their best at moments of real crisis.

One should not leave the story of the economic turnaround without some words about the U.S. role. It was, as Peres has acknowledged, crucial. It hinged on a fortuity: George Shultz is not only well disposed toward Israel and its current leaders but is also a distinguished economist. Once he and President Reagan ascertained that Peres meant to attack the economic crisis head on, the United States gave both political support and good professional counsel, as a friend, not as a creditor. Shultz formed an expert advisory group, led by Professor Stein, former chairman of the Council of Economic Advisors, to help him advise Peres and, incidentally, to monitor progress in the implementation of the Israeli program. An Israeli request for emergency aid was favorably received, "in principle," after Peres' initial trip to Washington in October 1984, and a financial safety net was put in place, to be used if needed. But the Administration did not formally seek emergency funds from Congress until several months had elapsed.

Meanwhile, Shultz and his colleagues delicately dangled the aid "carrot" before the Israeli cabinet, garnishing it with sound, nonthreatening economic advice. Since that counsel closely paralleled the views of Modai, and of Peres' own outside economic advisers, the influence of the United States served to strengthen the effort of Modai and Peres to press difficult decisions on their reluctant cabinet associates. Thus no formal

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"conditionality" was ever sought or imposed. This approach largely disarmed nationalist critics of "U.S. pressure." Congress and the Administration managed to cooperate unusually well, since congressional friends of Israel respected Shultz' approach and refrained from undercutting it by voting the aid prematurely. Yet the aid flowed when it was needed. In retrospect, these negotiations over emergency aid to Israel in 1984–85 provide an admirable model for the constructive use of U.S. assistance to an economically embattled, friendly democracy.

V

In parallel with the emergency repair of the Israeli economy, the coalition government faced the immediate security problem of Lebanon. Defense Minister Rabin, charged with extricating Israel from the Lebanese maze, launched with Peres' support a subtle political strategy to withdraw Israel's forces without giving Likud hard-liners any excuse to accuse him of "abandoning Israel's security gains," achieved at such high cost. The problem was delicate. After all, those Likud ministers who had launched the Lebanon operation, except for the retired Menachem Begin, were all still members of the cabinet. Though most by now had concluded that withdrawal was inevitable, they were not ready to acknowledge that all of Israel's potential political and security gains had evaporated. Since the eventual withdrawal decision would come before the inner cabinet, half of whose members were Likud ministers, some among them had to be won over. It took Rabin and Peres exactly four months.

First they probed Syrian intentions publicly and privately, with the help of American intermediaries, only to find no willingness in Damascus to accede to any security arrangements in southern Lebanon that might reassure Israel about its northern border. Then, utilizing U.N. mediators, secret channels to some Lebanese leaders, and U.S. diplomatic support, the Israelis sought to negotiate security and withdrawal arrangements with the government of Lebanon.

After many false starts, Lebanese and Israeli military delegations finally convened under U.N. sponsorship at Naqoura near the Israeli-Lebanese border on November 8. The talks sputtered on and off until December 20 when they were adjourned "for Christmas," to reconvene only once briefly thereafter. President Amin Gemayel's government in Beirut was by that point too weakened to risk agreeing to any formula

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not endorsed by Damascus, even though Israel's negotiating goals were much more modest than those embodied in the abortive Israeli-Lebanese agreement of May 17, 1983, an agreement eventually abrogated by Beirut under unremitting Syrian pressure.

These diplomatic efforts were all fruitless, but they served Rabin's political strategy well. Bold public statements by key cabinet members throughout the autumn had proclaimed Israel's determination to remain in Lebanon until "adequate security arrangements" had been achieved. Yet by January 14, 1985, when Rabin presented to the inner cabinet a three-stage plan for unilateral withdrawal, two of the five Likud ministers were now ready to join their five Labor colleagues to approve it. All other avenues had been thoroughly explored by then, in vain. The time had come to face the truth, and as a result of Rabin's skillful tactics, Labor and Likud stood together to swallow this bitter pill. Neither party sought to gain partisan political advantage.

Nearly five months elapsed before the end of the withdrawal program. Israeli forces slowly leapfrogged south through an increasingly hostile Shia Muslim population, suffering daily casualties from roadside bombs, ambushes, suicide car bombers and rocket attacks. The Israelis, always watchful of Syrian intentions, attempted an orderly withdrawal, hoping to induce President Gemayel's army or Druze and Shia Amal militia forces to establish security zones in their wake. The situation became more chaotic as the Lebanese finally realized that the Israelis were truly leaving. Some who had cooperated with the Israel Defense Forces were brutally assassinated—in Sidon for example—as soon as the Israeli forces withdrew. Radical Shia and Palestinian youths became increasingly emboldened to mount ambushes on Israeli patrols. Retaliatory operations by Israeli forces against those villages harboring terrorists only spawned more hatred. By the day in early June 1985 when the last formal military units crossed back onto Israeli soil at the "good fence" at Metulla, almost exactly three years after Begin and Sharon had launched "Operation Peace for Galilee," over 650 Israeli soldiers had died in Lebanon, and over 3,000 had been wounded.

For a time, southern Lebanon remained relatively quiet, policed by a friendly militia, General Antoine Lahad's "South Lebanese Army," with substantial Israeli advice and material support. The rest of Lebanon slowly collapsed into near an-

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archy. Yet by late 1986 even the "security zone" near the Israeli-Lebanese border was again showing signs of heating up. Moreover, the single clear Israeli achievement of the war, the expulsion of Yasir Arafat's PLO fighters, was short-lived. Ironically, by the time Shamir regained the office of prime minister late in 1986, Arafat's PLO cadres were back in Lebanon by the thousands, struggling with increasing success to reestablish a secure base of operations in the face of violent opposition from Amal and other Syrian allies within Lebanon.

But while Lebanon remains a dangerous, ungovernable neighbor for Israel, it is no longer a political issue or a subject for much debate. The Peres government finally succeeded in removing Lebanon from the national agenda.

VI

Egypt and Israel have been at peace since 1979, but the relationship has remained wary and cool. Egyptian President Anwar al-Sadat met for the last time with Begin in Alexandria in August 1981, a few weeks before Sadat's assassination. Since then, no Israeli prime minister had managed to arrange a face-to-face encounter with Sadat's successor, Hosni Mubarak, until Peres culminated a two-year courtship, finally meeting Mubarak in Cairo on September 11, 1986. The Egyptian embassy in Tel Aviv had remained, since 1982, under the direction of Muhammed Bassiuny, not an ambassador but rather an able chargé d'affaires. Popular as he became with Israeli officials, his lesser rank symbolized the cold character of the peace, as did the absence of trade, of a regular flow of Egyptian tourists to Israel, and of anything but vituperation about Israel in the Cairo press.

Peres believed it essential to thaw this chill before launching any negotiations with Jordan and the Palestinians. He understood that a substantial part of the Israeli public had soured on the idea of making further painful territorial concessions for peace, believing that Israel had never received "real peace" from Egypt despite the return of all of Sinai. Peacemaking had to become a popular cause again in Israel, if it were to have any chance of success with Jordan, and Egypt was the first hurdle on such a course. Peres began immediately to bombard Mubarak with messages, signals, foreign intermediaries and Israeli emissaries to drive home this point. Mubarak hesitated, pulled to and fro by contradictory advice.

Israel's occupation of Lebanon remained a serious political

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roadblock until the troop withdrawal in June 1985. Israeli acts of retaliation following terrorist raids, such as its bombing of the PLO headquarters in Tunisia on October 1, 1985, frequently intervened to blight promising initiatives. Egypt remained frustrated by its inability to regain its accustomed leadership role in Arab affairs since making peace with Israel. Avoiding any more than minimal association with an Israel engaged in active conflict with other Arabs seemed the prudent course to Mubarak's counselors. And always there was Taba.

Taba beach, a few hundred meters of sand at the border south of Eilat, remained disputed territory when the Israeli-Egyptian peace treaty was signed. From a minor annoyance it had grown into the major stumbling block in the way of improved relations. Exaggerated publicity for the issue in Egypt had eventually made Taba into a symbol of "Israeli intransigence." Negotiations took place sporadically from 1979 on, without result, with Egypt demanding binding international arbitration of the claims, and Begin and Shamir arguing for a negotiated compromise or for at least a nonbinding form of conciliation. These contrasting positions reflected different levels of confidence in Cairo and Jerusalem about the strength of each nation's respective historical claim.

Had Peres headed a purely Labor government, he would likely have accepted arbitration at the outset, convinced as he was of the paramount importance of reviving a warmer relationship with Cairo. Shamir, as foreign minister, held out tenaciously for negotiation or conciliation, partly out of a conviction that Taba was but an excuse for Egypt to keep its distance, partly to avoid giving Likud rivals such as Ariel Sharon a weapon to use against him.

The consensus rule embedded in the coalition government thwarted Peres for nearly two years. He suggested numerous ingenious ideas to Mubarak via intermediaries, seeking some package of Egyptian concessions which he could then use to overcome Likud resistance to arbitration, all in vain. Negotiators met and parted over and over again. U.S. diplomats and lawyers cajoled and suggested subtle legal formulations, while Reagan Administration leaders urged both sides to compromise so as to permit the delayed flowering of the U.S.-brokered peace between America's two closest Middle East friends. All to no avail.

Finally on January 13, 1986, in an all-night meeting, Peres browbeat the cabinet into agreeing provisionally to an arbitra-

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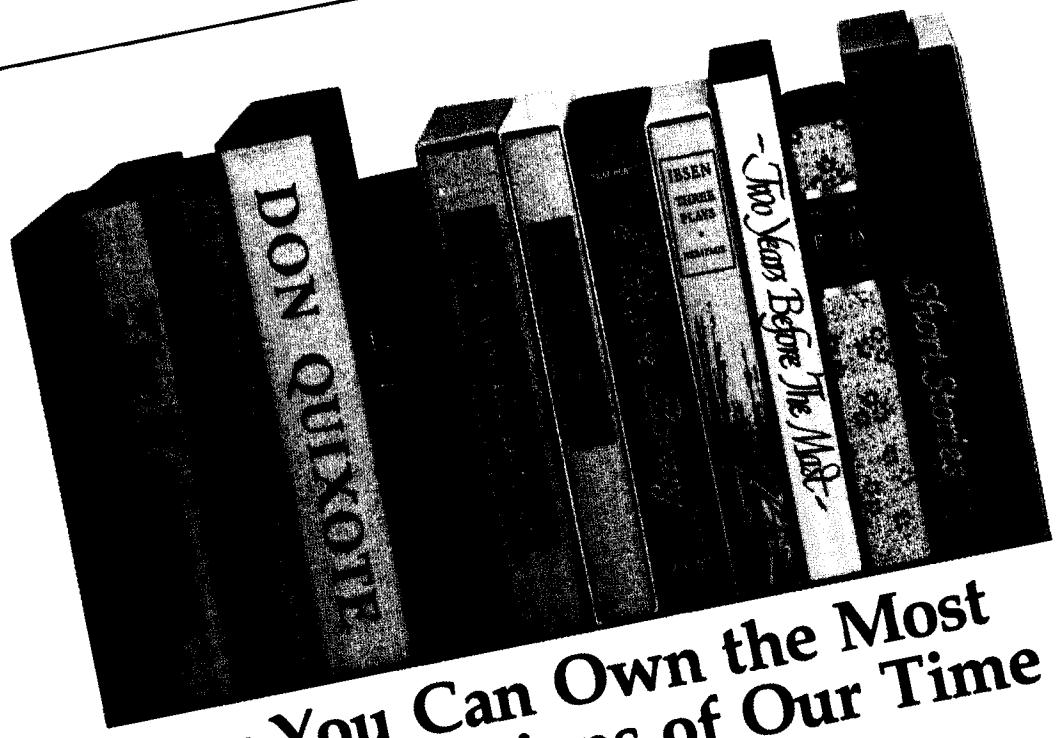

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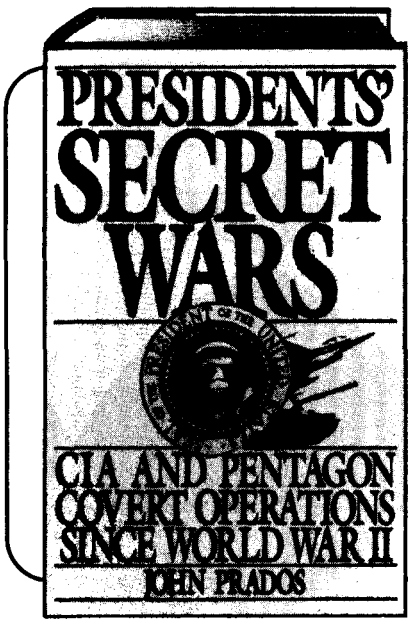

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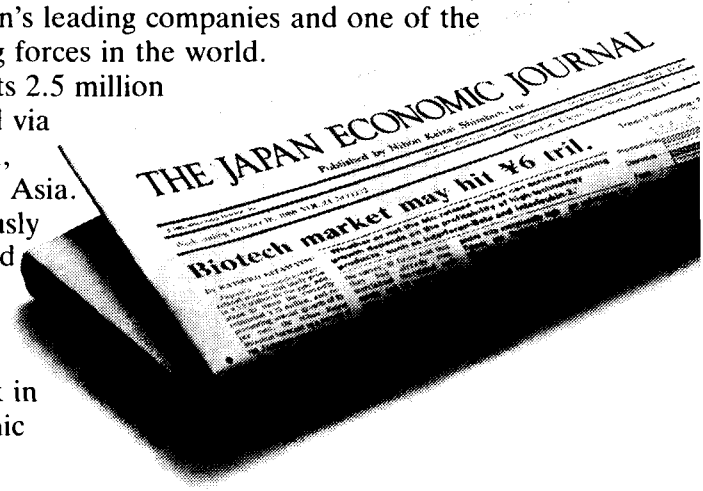

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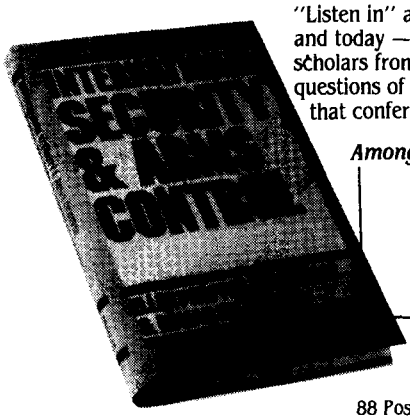

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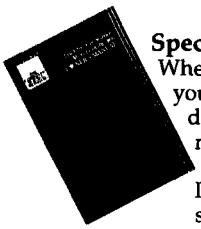

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tion and normalization "package" proposed by Mubarak, after having threatened privately to bring down the government if Shamir and his colleagues continued to resist. (Peres used this tactic sparingly but on occasion to good effect, as Shamir stood to inherit the prime ministry without facing the voters only if the coalition remained intact for two years.) Unfortunately, Peres then acquiesced to several Likud conditions which proved unacceptable to Mubarak. Negotiations dragged on for another seven months, complicated by continued differences between Peres and Shamir, until the calendar for the "rotation" of the Israeli prime ministry threatened to thwart Peres' hope of clearing this roadblock to renewal of the broader peace process.

Nonetheless, with vigorous encouragement from Secretary of State Shultz, and from Vice President George Bush during a visit to Jerusalem and Cairo in early September, plus an arduous diplomatic shuttle conducted by Assistant Secretary of State Richard Murphy and State Department Legal Adviser Abraham Sofaer, Egyptian and Israeli negotiators finally agreed on an arbitration formula, just in time to permit the long-awaited Peres-Mubarak summit meeting to take place in Alexandria, one month before Peres relinquished his post to Shamir.

Mubarak then named Bassiuny as Egyptian ambassador, a subtle move designed to minimize negative Arab world reaction while assuring himself of having an experienced and welcome diplomat in Tel Aviv. In the wake of the agreement and summit meeting, Egypt took some steps to "normalize" other aspects of the relationship, though few concrete changes were immediately visible. Peres himself achieved considerable rapport with Mubarak and may be able to build on it as foreign minister. But Yitzhak Shamir has not met with the president of Egypt since the funeral of Anwar Sadat.

VII

No topic consumed more effort or discussion during Peres' term than his wide-ranging search for a way to renew the long-stalled Arab-Israeli "peace process." It took deft diplomatic footwork to operate within the restrictive boundaries of the coalition agreement; Peres attempted that by developing a succession of creative verbal formulations meant to entice King Hussein into direct negotiations without provoking the Likud to rebel and force elections prematurely. The end result was

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barren; there was much talk about a peacemaking process but no peacemaking. That outcome was undoubtedly Peres' greatest disappointment.

He assumed office with a carefully devised strategy which he took care to explain in detail to the American Administration. Coordination of his moves with Washington became routine, carried out via highly restricted diplomatic channels. Agreement about diplomatic strategy and tactics, to say nothing of personal rapport among the two nations' leaderships, reached heights of intimacy not seen in U.S.-Israeli relations for nearly a decade.

In fact, those U.S. and Israeli critics of alleged American passivity in the peace process, or of what they saw as excessive caution on the part of the Reagan Administration, badly misread events. Reagan and Shultz calibrated the visibility, style and timing of U.S. diplomatic moves to fit Peres' strategy. There was probably only one period, December 1985-January 1986, when Peres hoped for a dramatic U.S. peace initiative; even then, however, he must have seen its chances of success as very slim. Acutely aware of the value of Reagan's friendship for Israel when coupled with the President's political strength, Peres hesitated to suggest any high-risk U.S. diplomatic move—thinking it would be very likely to fail and could only damage the Administration's prestige and influence.

Peres' strategy focused on an intermediate goal: the launching of a formal negotiating process with Jordan and with Palestinian elements not publicly identified with the PLO, in which Egypt and the United States would participate as full partners. No agreement on the final status of the occupied territories was conceivable under the Israeli national unity government; Likud would never agree to an outcome that abandoned Israel's claim to sovereignty, the Arab protagonists would never accept that claim. Therefore Peres focused on what was conceivable: negotiations initially aimed at an interim arrangement that would be consistent with both U.N. Resolution 242 and the Camp David accords. The Israeli coalition agreement presented no barrier to entering such negotiations.

Once launched, the negotiating process might produce a dramatic challenge to Israel and an ensuing coalition crisis. This, in turn, could ignite an active debate over the price of peace, which would provide Peres with an opportunity to go to the electorate with some chance of gaining a workable Labor majority government. Such a government could then proceed

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unfettered to hammer out a peace agreement with Jordan. This was the Peres strategy.

Before reaching such a juncture, however, Peres needed first to deal successfully with the Lebanon withdrawal, the economic crisis, and the Egyptian peace freeze with the strength of the broad governing coalition behind him. Therefore many months would have to elapse, at best, before he could be ready for formal peace talks.

Meanwhile, however, there was much quiet preparatory work with Jordan to be done. Peres immediately launched a persistent campaign to persuade King Hussein to cooperate in his strategy. Public compliments, private emissaries and messages, consultations by American, other foreign and Palestinian intermediaries, and, according to hints in the press, secret Israeli-Jordanian encounters all played their parts. A de facto freeze on new West Bank settlements, defended to suspicious Likud partners on grounds of economic stringency, accompanied policy directives to elaborate a new, more liberal style of administration for the occupied territories (directives which were largely ineffective, as it happened). Technical discussions to resolve various practical issues along the Jordan boundary, such as Yarmuk River water sharing, received more sympathetic attention from Peres than from his predecessors. All these were parts of an effort to persuade Jordan that after years of confrontation with Likud governments a wide-ranging process of negotiations, which could eventually culminate in formal peace talks, was now possible. It was deemed essential to prepare the groundwork for persuading King Hussein to come openly to the negotiating table, thus providing essential drama for a skeptical Israeli public deeply divided over the price to be paid for peace with Jordan and the Palestinians.

From all of this, in the Peres strategy, the PLO must be totally excluded, according to both Peres' principled conviction and his reading of domestic political necessity. Therein lay the rub.

King Hussein was pursuing his own, quite different agenda which had as its centerpiece a prolonged effort to ensnare Yasir Arafat and a weakened PLO in a joint approach to peace negotiations under the mantle of Resolution 242, looking toward an eventual Jordanian-Palestinian federation. Bluntly, Hussein hoped to bind Arafat firmly into a subordinate negotiating role under Jordanian primacy. He remained convinced that his reign would be endangered were he to meet or negotiate openly with Israeli leaders about the West Bank and Gaza

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without the legitimacy conveyed by Arafat's seal of approval. He had to anticipate strong Syrian efforts to disrupt his negotiating strategy in any case. He could perhaps resist Damascus successfully, given stalwart U.S. and Egyptian backing and some support from Saudi Arabia, but only if the PLO were first neutralized and somehow coopted. This counterstrategy of Hussein's consumed nearly all of the two years of Peres' term in office; while pursuing it, Hussein deflected all of Peres' efforts to engage.

This was the conundrum of the peace process. Peres could never solve it, and the United States could not solve it for him, though Assistant Secretary Murphy and other American diplomats toiled endlessly in the shadows to try to find some common ground.

The Hussein-Arafat agreement of February 11, 1985, called for an international framework for negotiations that would include not only the PLO within a joint Jordanian-Palestinian delegation but all permanent members of the U.N. Security Council. It called for total Israeli withdrawal from the occupied territories and Palestinian self-determination in the context of a confederation between the Arab states of Jordan and Palestine. Neither direct negotiations with Israel nor Resolution 242 was mentioned. Even that formulation quickly became embroiled in intra-PLO suspicions and reinterpretations, as Arafat's own close lieutenants feared a sellout of their dream of an independent Palestinian state.

Months were consumed in sterile arguments over whether "non-PLO" Palestinian delegates might join the Jordanians in a delegation with which Americans, and eventually Israelis, might meet. Hussein lost confidence in the Reagan Administration's determination when the Congress blocked a promised sale of needed weapons for Jordan's defense forces. Egypt wanted to encourage the process, but only succeeded in complicating matters for both Hussein and Peres by strengthening Arafat's negotiating leverage vis-à-vis Hussein.

Finally in February 1986 Hussein gave up, publicly blaming Arafat for going back on his word, and privately expressing more frustration with Washington than with Jerusalem. Meanwhile Shamir had watched calmly while Peres struggled to pull Hussein into his diplomatic scenario, always confident that nothing which might jeopardize the cohesion of the national unity government would come of these maneuverings. He was proved right.

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To be sure, lower-level Jordanians and Israelis were increasingly involved in quiet, sub-rosa coordination concerning economic or technical matters; for example, approving the oft-delayed opening of an Arab-run bank in the territories for the first time since 1967. Many observers also attributed Israel's new, harsher attitude toward prominent PLO spokesmen in the territories, a trend that developed in the late spring of 1986 after Hussein's break with Arafat, to some tacit understanding between Amman and Jerusalem. It coincided with new Jordanian carrot-and-stick tactics toward the residents of the West Bank and Gaza, clearly aimed at regaining for King Hussein some of the influence among Palestinians he had lost to the PLO during recent years of Jordanian neglect.

Perhaps Hussein might have gone further toward direct negotiations with the Peres government had there been more time left before "rotation." More likely, however, he would not have. No Arab leader understands as well as Hussein the intricacies of Israel's domestic politics, none has spent nearly as much time talking candidly with senior Israeli leaders, not even Sadat. Hussein understood well the negotiating constraints of the Israeli coalition: Peres could only promise to initiate a negotiating process; he could not, under Shamir's watchful eye, dangle any enticing hints about Israeli withdrawal or other possible outcomes.

The risks for Hussein exceeded the possible benefits. A shrewd, cautious survivor, the Jordanian king decided to play for the longer run: moving unemotionally to rebuild bridges to Syria even at the price of some temporary public humiliation; squeezing PLO leaders slowly out of Jordan rather than expelling them brutally; seeking to attract new "alternate" Palestinian leaders in the territories into his camp; cooperating quietly with Israel to improve living conditions there so as to discourage any mass exodus that might destabilize Jordan itself.

One final round of intense U.S.-Israeli diplomatic activity unfolded in August, spurred partly by Mubarak's eagerness to see the peace process reignited and partly by Peres' persistent hope for some spectacular breakthrough that could adorn his final weeks in office. It ran aground on Hussein's wariness, on the then unresolved Taba impasse, and on Hussein's insistence on an international peace conference that would include the U.S.S.R., a dimension which troubled Reagan and Shultz even more than it did Peres or Shamir.

Thus, Peres' term ended without any breakthrough in ne-

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gotiations with Jordan and the Palestinians, despite his genuine sense of urgency about the need to find some accommodation, his tireless cultivation of Hussein, his close working alliance with Washington and his diplomatic creativity and linguistic virtuosity. The diplomatic impasse required political daring well beyond the capabilities of any Labor Party leader of a national unity government. Moreover, talented though he is, Peres is not a man to risk everything on one throw of the dice. Neither is Hussein. That is why they have survived so long in their respective jungles.

VIII

Peres devoted a large share of his political energies to a refurbishing of Israel's image and to broadening Israel's relations with countries, large and small, the world over. In his visits to Washington, Paris, London, Bonn, Rome and other capitals, in a virtuoso speech before the U.N. General Assembly in October 1985, and in frequent press interviews with U.S. and European media, Peres spoke in reasonable and conciliatory tones, stressing at every opportunity Israel's desire for peace and its eagerness to find a way to achieve a negotiated settlement of the Arab-Israeli conflict.

With nations of Africa, he was able to capitalize on prior years of quiet diplomatic cultivation to heal some of the ruptures in relations that took place in the early 1970s under Arab pressure. Zaïre and Liberia had already breached the African diplomatic boycott of Israel before Peres took office. The Ivory Coast and Cameroon have joined the list since 1984, and Peres' dramatic official visit to Cameroon in August 1986 underscored the trend; other states moved up in the queue. And in a glittering finale, King Hassan II of Morocco defied the Arab League by receiving Peres openly in Rabat for a well-publicized official visit, the first ever for an Israeli prime minister to an Arab capital other than Cairo.

Unofficial feelers from Moscow encouraged some Israelis to hope for renewed diplomatic ties with Moscow, broken off in 1967. That hope was premature. Nonetheless, Peres met at the United Nations with the Soviet foreign minister in what was described as a serious, nonpolemical exchange. Israeli diplomats met openly in Helsinki with Soviet counterparts to explore a renewal of consular ties. Poland reestablished a resident diplomatic presence in Tel Aviv. Hungary explored formal trade ties. Even Bulgaria initiated a mild flirtation. In

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non-communist Europe, Spain established diplomatic relations with Israel for the first time, and Greek official hostility began to ease.

Relations with the United States are, of course, crucial to any Israeli government. Here Peres could build on the strong foundation erected by his predecessors, especially Shamir, whose brief tenure as prime minister had produced the first formal structure for strategic cooperation and launched a U.S.-Israeli free trade agreement, which was then brought to fruition during Peres' term. Yet Peres succeeded in raising the U.S.-Israeli "unwritten alliance" to unprecedented heights of intimacy, thanks to the close rapport he achieved with the Reagan Administration and congressional leaders of both parties.

Likud spokesmen have often shown a preference for defiant bombast in their statements; the Peres style of earnest reasonableness, by contrast, restored Israel's standing among officials and the general public in the United States as well as other major countries. U.S. opinion polls reflected Israel's rebound from the effects of the Lebanon invasion and its ugly sequels; Jewish Americans were reassured about Israel's course; and congressional support rose to unprecedented heights, a fortuitous dividend at a time when Israel was more dependent than ever on U.S. financial help.

By October 1986 Israel's international diplomatic balance sheet was solidly in the black. Even the automatic anti-Israel U.N. majorities showed signs of some erosion. No wonder that Peres sometimes seemed to enjoy foreign travel more than the ordeal of grappling with Israel's irascible domestic dilemmas.

IX

A daunting domestic agenda confronted Peres whenever he returned from cheering audiences abroad. These were years when Israel was in a sour, querulous frame of mind. A disorienting, false euphoria of inflation was giving way to the specter of recession, layoffs, shrunken real wages, tight credit, heavy taxes on travel abroad and prolonged belt tightening.

Always there seemed to be political "scandals" ready to erupt. Intracabinet feuds bedeviled Peres as they had all his predecessors. His friend and now political ally Ezer Weizman was detested by Shamir, who prevented Peres from making much use of Weizman's special entrée with Mubarak and other Egyptian leaders. When Weizman did finally meet Mubarak in

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April 1985, his overly optimistic assessment of prospects for an early summit meeting only further complicated Labor-Likud relationships.

Ariel Sharon was busy for months in New York, pursuing a $50-million libel suit against *Time* magazine. Winning a split decision, he returned in triumph to join forces with David Levy in nearly toppling Shamir at the uproarious Herut convention in March 1986. Twice Sharon almost broke up the coalition by insulting Peres publicly; twice Peres forced retractions and apologies by threatening his own resignation. A similar sequence came in April 1986 with the unpredictable Modai, climaxing months of friction between Peres and his brilliant but sharp-tongued finance minister. Peres forced Modai to resign his post and, indeed, to leave the cabinet. (Shamir brought him back in another capacity after the October rotation.)

Looking back over the tumultuous history of Israel's democratic experience, the frequency of such political sideshows under Peres was about average. Nonetheless, they tarnished somewhat the image of responsible government which the coalition cabinet attempted to project.

One perennial internal issue, the continuing campaign by the ultra-orthodox religious parties to impose, by law, their definition of Judaism on secular or less-orthodox citizens, produced street clashes in Jerusalem and noisy demonstrations over Sabbath "blue laws." The government did little but wring its hands when confronted by a worrisome growth in religious intolerance. But when the religious parties pressed for legislation defining standards for Jewish conversion, in a manner calculated to alienate most of American Jewry and further divide Israeli society, Peres and his Labor colleagues stoutly stood against Likud to block the bill, thereby making even less promising Peres' faint hopes of tempting the religious parties back into an exclusive alliance with Labor at some future time.

Finally there were damaging security scandals: the Pollard affair, in which a Jewish U.S. naval intelligence official confessed to spying for Israel; the Shin Beth affair, involving a high-level coverup of the execution of two Arab hijackers after they were taken into custody by the security service; and the Vanunu affair, in which a trusted but ideologically alienated employee at Israel's secret nuclear complex was unaccountably able to leave the country with sensitive photographs, and approach *The Sunday Times* of London with his exposé of an

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Israeli nuclear weapons production facility, only to be mysteriously apprehended abroad and returned for trial. All these cases, in different ways, blemished the latter months of Peres' tenure by raising questions about one of his strongest assets: his reputation as a politically adept and effective chief executive.

Meanwhile Israel was not at war, but it was hardly at peace. Husbands and sons no longer fell in Lebanon, but the security zone just across the border did not completely prevent terrorist probes or the sporadic and random firing of rockets from beyond that zone into northern Israel, much less an increase in seaborne commando missions by the growing PLO "navy."

The Syrian army had been reequipped and enlarged by the Soviet Union after its defeats in 1982; President Hafez al-Assad was proclaiming his goal of reaching military "strategic parity" with Israel in the near future, a goal which brought into question the long-term effectiveness of Israel's deterrent posture. Threatening statements in both Damascus and Jerusalem fed reciprocal fears and produced war scares more than once. Rabin in particular sought to prevent Syria's leaders from miscalculating that Israel would not respond if challenged.

The threat of externally inspired terrorism remained ever present. A rash of random attacks on individual Israelis by small groups of Palestinians erupted, inspired, perhaps, by PLO exhortations but directed from abroad only loosely, if at all. Holiday picnickers went to forest campsites carrying sidearms, or stayed nearer home, as stories circulated of bombings, knifings, kidnappings and murders. And nearby in the region, terrorist dramas unfolded: on the cruise ship *Achille Lauro*, on a Trans World Airlines jetliner hijacked to the Beirut airport, on an Israeli pleasure yacht in Cyprus, at El Al Airlines ticket counters in Rome, Vienna, and later London.

Israelis took heart from the sturdy, uncompromising U.S. response to these waves of terror, feeling less alone in combating them than they had in many years. But as the number of American tourists, fearful of hijackings and bombings, plummeted during 1985 and 1986, a sense of public gloom deepened. The revelation in May 1985 that Israel's leaders had released 1,150 convicted terrorists in exchange for three captured Israeli enlisted men raised a storm of protest which Peres, Shamir, and Rabin stolidly absorbed but found hard to rebut successfully.

Hardest of all for the public to digest was the spectacle of

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apparently upright Jewish settlers, some of them high-ranking reserve officers, arrested, brought to trial and convicted of shocking crimes of anti-Arab terrorism, even of plotting to blow up the holy mosque on Jerusalem's Temple Mount.

X

Two years is a brief moment in the history of any nation. Yet the balance sheet of the Peres era is one of impressive accomplishment. The prime minister's personality and background suited him ideally for the leadership of a delicate coalition; few if any other Israelis could have managed it so well.

Substantially achieving most of his major goals, failing only in his effort to revive peace negotiations, Peres also succeeded in lowering the level of clamor and invective in Israeli politics while engendering some renewed optimism about the future to lighten the prevailing malaise. His tolerance of opposing opinions began to have some resonance among the public. From having a public image as a devious "politician," Peres graduated within only months to being seen as a reliable, credible "statesman"—though whether that change will endure now that he is no longer prime minister remains to be seen. He and Ezer Weizman even managed to give Israel's second-class Arab citizens a glimmer of hope for greater future equality with the country's Jewish citizens.

For his party the results of Peres' successful term were disappointing. Labor gained slightly in the polls, but Peres' own renewed popularity does not seem to have reversed an increasingly skeptical view of the Labor Party which developed among the Israeli voters over the past decade. The next election, whenever it comes, is likely again to produce a standoff rather than a strong majority for either major bloc.

Israel is harder on its political leaders than most nations. Some Israeli journalists and political observers argue that Peres only transformed images, not reality; that he was only "the great tranquilizer." They argue that he never demonstrated the real leadership of a David Ben-Gurion, his hero and mentor, by coming to grips with Israel's basic problems at the risk of his popularity. They point out that his major successes lay in areas in which the country had already reached a consensus of opinion, waiting to be translated into action—as with Lebanon and the economic crisis. Where the nation was divided deeply, as over the future of the West Bank and Gaza, Peres'

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critics charge, he did not take the real political risks necessary to break the impasse.

There is something to that view. But can any democratic leader move very far ahead of those who choose him? Peres deeply reveres Ben-Gurion, but he is a different personality, and both the times and the nation have changed considerably since Ben-Gurion's day. In the circumstances of the mid-1980s, heading a coalition cabinet which could easily have become a "Government of National Impasse," Shimon Peres left office after two years with his nation more respected, more hopeful, and more accepting of itself than when he arrived. He made many bricks with precious little straw.

XI

Yitzhak Shamir picked up the reins of the coalition after an effortless transition in October. With minor cabinet changes the national unity government continues. An Israeli academic observer commented in early November that "already people are beginning to forget Peres was prime minister." That is an exaggeration, of course, and from the Foreign Ministry Peres will seek ways to remind them. But it does underscore a real continuity. This is a functioning coalition government that, having survived the "rotation phenomenon," might well last out its full term. As long as the polls continue to demonstrate that a large majority of the Israeli public prefers coalition government, Labor Party politicians will be wary indeed of risking voter retribution by forcing an artificial crisis on Shamir.

Shamir, in his return to the prime ministry, has already lowered its profile, especially abroad. The air waves are no longer filled with Israeli proposals for new diplomatic initiatives. Continuity of policy is the watchword, but Shamir's style is far different from Peres'. He tends to wait for issues to come to him, rather than seek them out. When problems do demand attention, as with the awkward Israeli connection to U.S. arms sales to Iran, Shamir has characteristically kept his own counsel. He says as little as possible and relies on the passage of time and other events to turn the page.

In any case, Shamir has found the opening months of his second prime ministry dominated by internal matters: unprecedented Arab-Jewish violence in the old city of Jerusalem, political quarrels within Likud and renewed strife over economic policy.

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Shamir inherits an economy precariously stabilized but stubbornly stagnant. Inflationary pressures are showing signs of rising again. Like Peres, Shamir has already found that his greatest challenge is to keep the economic reform from slipping backward. More deep budget cuts, comprehensive tax reform, overhaul of capital markets, measures to reignite growth in exports; these all form the priority agenda for Modai's successor as finance minister, Moshe Nissim, and equally for the prime minister. In supporting Nissim, Shamir must contend with vicious rivalries within his own Likud camp. Contentious economic dilemmas provide excellent jousting opportunities for Levy and Sharon to undermine Shamir's leadership. Meanwhile labor unrest will pose the greatest threat to the stabilization program, and perhaps the coalition itself, in the months ahead, with one danger point coming in April 1987 when national wage contracts must be renewed. Shamir has none of Peres' special influence with the Histadrut. He will need much active help from his Labor partners to get through the economic rapids not far downstream.

The U.S.-Israel strategic relationship remains close and should not deteriorate significantly, at least for the balance of the Reagan presidency. Shamir is very well regarded by both Reagan and Shultz. The Pollard affair and Israel's role in the U.S. sale of arms to Iran have cast some deep shadows; they may well lengthen as the Iran/contra scandal investigation unfolds. But there is little likelihood of serious damage. In one sense both affairs illustrate that there are special political dangers and costs attached to close alliances between superpowers and smaller states. The current degree of intimacy between Washington and Jerusalem helps bridge rough waters, but also makes both sides appear co-responsible when policy goes awry.

The Iran arms sale case is a perfect example. Besieged since independence by unremittingly hostile Arab neighbors, Israel has long cultivated compensatory ties with non-Arab nations on the fringes of the Arab world: Iran, Turkey and Ethiopia in particular. During his reign, the shah of Iran had responded enthusiastically to Israeli offers of weapons and military technology, training, intelligence exchange, agricultural advisers and industrial know-how. In return Iran supplied a large proportion of Israel's petroleum needs. Moreover, Iran's substantial Jewish population enjoyed a status of some privilege under the shah's protection. Until the shah's fall in 1979, Iranian-Israeli sub-rosa relations were extraordinarily close, though

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always officially denied by Iran in deference to Arab sensitivities.

With this background it is not surprising that Israeli officials have frequently tried since 1979 to retain some footholds in Iran, especially among old friends in the military; nor is it surprising that they repeatedly tried without success to persuade American officials to follow a parallel course, stressing the importance of Iran's strategic value to the West. The sale of weapons, ammunition and spare parts for Iran's hard-pressed army provided unique possibilities for pursuing this goal.

Thus, when the Reagan Administration finally began to explore a reopening of secret channels to Teheran, for whatever primary motive, it was natural to seek Israeli advice and assistance. The degree of intimacy by then achieved in military, diplomatic, anti-terrorism and intelligence matters between Jerusalem and Washington lent itself easily to such cooperation. Israeli leaders, it was thought, would surely respond readily if asked for help in obtaining Iranian assistance for the freeing of American hostages in Lebanon.

In the embarrassed confusion which surrounded the unveiling of U.S. efforts to use arms sales as a lever to pry loose hostages, the exact roles played by Israeli officials as advisers and intermediaries could become a point of major contention. Containing such a dispute within narrow limits is in the mutual interest of both governments, though that could be hard to achieve in Washington's political and investigative arena. Undoubtedly however, Reagan, Shamir and Peres will all try to do so, to avoid serious harm to the overall relationship. Congress, overwhelmingly, will share this objective. Still, Shamir's early months may be bedeviled by this by-product of the "special relationship."

Shamir is experienced, tough, self-restrained and tactically pragmatic, though his ideological commitment to permanent retention of all of the "Land of Israel" is unshakeable. His leadership style is not notable for vision or charisma but rather for common sense, reticence and patience; for imperturbability, not frenetic activism. Consistently underestimated as a politician, he has now achieved a position of unchallengeable leadership in Likud, probably for as long as he chooses to remain at the helm. His rivals or potential successors, Levy, Sharon and Moshe Arens, are all much younger men. They compete to be his successor and to dominate the party machin-

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ery, not to take his job, though this could change if his government unexpectedly collapses over some egregious mistake. Shamir's patience and stamina will help him conduct the coalition successfully through most crises. He, too, has a fortunate personality for this taxing role.

As an ancient sage once observed, prophecy is dangerous, especially about the future. Yet if one risks the gods' wrath, one might predict that the Shamir era will closely resemble the Peres era in substance, though not in style. The Israeli people have chosen coalition government. They may be stuck with it longer than they ever dreamed.

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Robert Oakley

INTERNATIONAL TERRORISM

The Reagan Administration's determination to counter international terrorism[1] has been more popular at home, and more successful abroad, than any other single policy. It was a bitter irony that this policy was also the proximate cause of the severe political crisis which confronted the Administration as 1986 ended. In considering how this drastic turn came about, it is important to recall the mood of America in the latter half of 1985.

There was widespread anger in the United States, and demands by Congress and the public for vigorous action to protect Americans abroad, following two serious incidents: the dramatic detention and killing of American citizens in the highly publicized hijackings of Trans World Airlines Flight 847 and the cruise ship *Achille Lauro*, in June and October, respectively. The Reagan Administration, already frustrated by two years of inability to stop terrorism, was determined to find better ways to do so. When 20 innocent American travelers were killed or wounded on December 27, 1985, in bloody attacks at the Rome and Vienna airports, with the carnage covered extensively on television, it was inevitable that combating terrorism would be the most important, urgent issue on the Administration's agenda as 1986 began.

During the year the Administration acted in three particularly important areas relating to terrorism. First, a series of broad policies and programs was adopted to strengthen long-term counterterrorist action. Second, the struggle to combat Libyan- and Syrian-sponsored terrorism continued and was escalated. On the whole these two efforts were successful. The Administration made progress in bringing about a sharp dimi-

[1] The U.S. government uses "international terrorism" to describe the premeditated use of violence against noncombatant targets for political purposes, involving citizens or territory of more than one country.

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nution in international terrorism and a firmer, more cooperative approach to the problem by Western governments. Moreover, American and European retaliatory actions led to an apparent decision by Libya and Syria to use their influence, at least temporarily, for restraint rather than promotion of terrorism.

The third area of activity in 1986 was the effort to moderate the policies of Iran, and in the process to obtain the release of American hostages held in Lebanon. The revelation of covert arms dealing with Iran, as part of this activity, detonated a domestic political crisis for the President much greater than anything else he had faced during six years of office. It also contributed to a serious credibility gap with Western allies and friendly governments in the Middle East and damaged the moral authority of the Administration to lead the common international effort against terrorism. There appeared to be blatant contradictions between the secret arms deals and repeated policy statements calling for no concessions to terrorists and an international arms embargo against Iran and other states supporting terrorism—both issues on which the United States had taken the world lead.

Thus, the political furor over the Iran arms/contra link publicly eclipsed the very favorable record against terrorism that the Administration had compiled during 1986. As 1987 began there were five American hostages still waiting to be freed, terrorism was adding significantly to political disruption in the Middle East and Latin America, and sporadic indigenous terrorist activity continued in several European countries (e.g., the United Kingdom, Spain and France). These were reminders of the unfinished business that awaited the Administration's effort to recover from the Iran affair and resume active leadership of the effort to combat terrorism.

II

During 1985 there had been reason for satisfaction when the United States forced the perpetrators of the hijacking of the *Achille Lauro* and the murder of Leon Klinghoffer into Italian hands—despite the temporary damage that the U.S. management of the incident did to its relations with Egypt and Italy. The successful outcome was mitigated by the refusal of Egypt, Italy and Yugoslavia to hold the mastermind of the operation, Abu Abbas, for trial or extradition. This underlined the Administration's difficulties over the previous three years

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to take effective action, or get others to act, against terrorists who had killed Americans—including those who bombed the U.S. marine barracks and embassy (twice in the latter case) in Beirut in 1983 and 1984, killing over 250 Americans, and those behind the June 1985 hijacking of TWA Flight 847 and the deliberate killing of an American passenger.

Moreover, U.S. government intelligence analysts had charted an unmistakable pattern of increasing international terrorism, up from a yearly average of 500 incidents during 1979–83 to 780 in 1985, and from 1,279 casualties (41 U.S. citizens killed or wounded) in 1984 to 2,200 in 1985 (198 U.S. citizens killed or wounded). Although some of the increase took place in Latin America, most of it came from terrorist activities originating in the Middle East. At the end of 1985 five Americans were hostage in Lebanon, despite Reverend Benjamin Weir's release in September, and Americans throughout the region were regarded as being in serious danger. There was also a sharp rise in attacks by Middle East groups (often supported by Libya and Syria) against Western targets in Europe—especially in Madrid, Athens, Frankfurt and Rome—with Americans more frequently the victims than before. Twenty such attacks and 484 casualties took place in 1985, compared to six attacks and 28 casualties in 1984.

The vast majority of these attacks, including the bloodiest and most publicized, had little apparent connection to the cause of a Palestinian homeland. Even spokesmen for the Palestine Liberation Organization, including Chairman Yasir Arafat, denounced the attacks or distanced the PLO from them. Many of the terrorist incidents in the Middle East, including the seizure and holding of American, British and French hostages and the conflict in southern Lebanon, also appeared unrelated to the Arab-Israeli dispute over Palestine. This tended to divert attention from, and dilute the force of, the argument that the Palestinian struggle with Israel is the primary cause of Middle East terrorism.

This was the background of President Reagan's approval in January 1986 of the report of the Vice President's Task Force on Combatting Terrorism, a group established during the TWA hijacking. The report concluded that "international terrorism is a growing problem and priority" and recommended specific measures for "improved coordination and increased emphasis in such areas as intelligence gathering, communications procedures, law enforcement efforts, response option plans and

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personal and physical security." It also called for "expanded cooperation with other countries." As the recommendations were implemented during the year, still higher priorities and additional resources were devoted to counterterrorism by the relevant agencies.

The Department of State led an effort, combining the resources of several government agencies, to intensify high-level discussions, systematic cooperation, and technical and training assistance to combat terrorism with some 50 foreign governments. The overall objective was to reach a better mutual understanding of how to control the long-term international threat. The programs featured arrangements for the short-term exchange of intelligence and the strengthening of capabilities to counter terrorism. By the end of 1986 over 3,000 officials from civilian agencies of other governments had participated in the State Department's Anti-Terrorist Assistance program, and special high-level policy dialogues were under way with key governments. The CIA and other agencies launched an increased intelligence effort and an improved system for reporting on the identity of terrorists, their various activities and their sources of support, which involved intensified exchanges with intelligence services of selected friendly governments. On the military side, preparedness by U.S. Special Operations Forces was improved and there was a greater effort to work with and train foreign military counterterrorist units (e.g., the Special Air Service in the United Kingdom and GSG-9 in West Germany).

The Department of Justice and the office of the Legal Adviser to the Department of State sought greater international legal cooperation against terrorism. One key area was extradition, focusing initially on obtaining Senate ratification of the revised U.S.-U.K. extradition treaty, which removed the "political offense" exception for serious acts of violence—an important point of principle in judicial consideration of terrorist activity. (The treaty was ratified in 1986.) Another area of cooperation was legal assistance to and discussions with several European governments, designed to encourage them to increase their application of judicial measures against terrorists. The United States explained to other governments the procedures for prosecuting certain terrorist acts abroad as crimes under U.S. law, according to legislation that came into effect in 1985.

The Departments of Justice and State also worked with

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Congress on legislation that would cover all major terrorist crimes committed against any American citizen abroad. A law to this effect was adopted in August as part of the Omnibus Diplomatic Security and Anti-Terrorism Act of 1986. The Omnibus Act provided for funds and organizational changes to strengthen the State Department's ability to provide security to diplomatic missions abroad, as recommended by the Inman Panel, appointed by Secretary of State George Shultz in 1984. It also contained measures tightening standards for U.S. maritime and civil aviation security, and providing compensation for victims of terrorism.

Within the territory of the United States, terrorist incidents remained at the low level of fewer than ten reached in 1985. Once again there were no international terrorist incidents—despite the ever-present potential threat from various ethnic, religious and nationality minority groups in the country, some of whose members abroad were engaged in active terrorism (e.g., Palestinians, Shi'ites, Sikhs and Libyans). Some planned activities were detected and disrupted before they could take place. Declarations by Libyan strongman Colonel Muammar al-Qaddafi and by Shia terrorist groups under Iranian influence that they would strike the United States came to naught. This success was due in large part to effective intelligence and law enforcement work by the FBI and other agencies in the United States, assisted abroad by the CIA and friendly foreign governments. It was also due in part to a desire by most minority groups in the United States to avoid terrorist activities in this country, no matter what their political beliefs.

One very important, but difficult, problem identified and considered at length by the vice president's task force was the relationship between terrorist activities, media coverage and the government. There can be no doubt of the extraordinary emotional impact and political potency of terrorism when it is broadcast live into millions of living rooms. The immediate shock from reports of bombings and armed attacks, and the more prolonged agony and suspense from hijackings and hostage situations, are often heightened by interviews with anguished family members. Under these circumstances it was not surprising that there was a widespread public belief, following the terrorist incidents in Europe in late 1985 and early 1986, that the life of almost any visiting American would be at risk and that the European governments were completely uninterested in security.

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In almost all major terrorist incidents the strength of the immediate media message, usually coupled with an absence of perspective, generates powerful pressures on governments, particularly in democratic countries with a tradition of humanitarian concern. President Carter's reelection chances in 1980 were badly damaged by the continued detention of the hostages in the American embassy in Teheran, whose release he had so clearly made his top priority in response to powerful public concern. President Reagan's similar response to the plight of the hostages in Lebanon, made for similar reasons, was a major factor in motivating the secret arms dealings with Iran—the revelation of which damaged his Administration.

In addressing this aspect of terrorism, the task force report noted that terrorists deliberately manufacture sensations to capture media attention—a ploy that often takes advantage of U.S. press freedom—but that this activity can be offset by close communication between media and government. The report suggested that regular meetings between media representatives and government officials regarding the coverage of terrorism would contribute to more effective government-media relations. The failure of the government to follow these recommendations and establish a regular process for the enhancement of media understanding—evidently due to the high priority given secrecy—was to exacerbate problems faced by the Administration later in the year.

III

In the early months of 1986 the question of terrorism centered on Libya. This situation was intensified on March 24–25, when six Libyan missiles were fired at U.S. naval aircraft, and Libyan patrol boats threatened U.S. ships engaged in a freedom-of-navigation exercise in international waters in the Gulf of Sidra. In addition to asserting, for the ninth time since 1973, the right to navigate in (and fly over) the Gulf of Sidra, the U.S. Navy presence was obviously meant to remind Qaddafi and others that the United States not only retained a military option but was prepared to exercise it should there be renewed Libyan terrorist attacks. U.S. public opinion was strongly supportive of applying military pressure on Libya. On March 25, in response to the Libyan threats, the U.S. Navy made limited counterattacks on fire-control radars and patrol boats. Polls showed that 75 percent of the American public thought that the naval operations were justified; 15 percent were opposed.

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On March 25 the Libyan government ordered its "People's Bureaus" in some 30 countries to attack targets directly related to the United States. This caused the Administration to send an urgent "threat alert" message to all diplomatic and military establishments abroad. Additional intelligence on specific Libyan threats was received in the following days, including intelligence of attacks being planned by Libyan People's Bureaus in East Berlin, Bonn, Ankara, Paris and several other locations (e.g., Yugoslavia, Switzerland and Italy). Local governments were alerted by the United States, and the response from all the governments that were approached, except the U.S.S.R. and East Germany, was positive. The latter two nations rejected U.S. demarches. Further communications from the Libyan People's Bureau in East Germany before and after the April 5 bombing of a discotheque in West Berlin, in which two Americans and a Turkish citizen were killed and over 250 persons were injured, convinced the United States that Libya was indeed responsible for the bombing.

During early April, in France and Turkey, the intelligence and law enforcement agencies identified individuals suspected of being Libyan-supported terrorists; observed them pick up weapons from the Libyan People's Bureaus in Ankara and Paris; and arrested them just before attacks could be carried out against the U.S. consulate in Paris and the American officers' club in Ankara. The markings on the weapons provided by Libyan officials to terrorists in Ankara and Paris were the same as those on weapons used in earlier attacks on the Vienna and Rome airports, and in the hijacking of an Egyptair jet in November 1985. This evidence reinforced earlier intelligence judgments of Libya's culpability in the series of incidents during late 1985.

Consequently, on April 14, President Reagan ordered simultaneous air strikes on installations in Tripoli and Benghazi in order to deter further terrorist attacks and give credence to the President's stated policy of using military force in self-defense of American citizens, if alternatives failed and Libya persisted in terrorist attacks. The carefully planned night bombing raids were aimed at terrorist-related targets and Qaddafi's "palace guard" in Tripoli and Benghazi. Civilian casualties were to be avoided if at all possible and economic targets were deliberately excluded. British Prime Minister Margaret Thatcher approved President Reagan's request to use U.S. Air Force F-111 jets stationed at British bases in order to reinforce

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U.S. navy carrier aircraft. During the days immediately prior to the raids, presidential emissary Ambassador Vernon Walters consulted European governments; European Community foreign ministers held an urgent eleventh-hour meeting on April 14 at which they finally agreed that Libya was indeed a state supporting terrorism. However, by the time they concluded their deliberations, the operation had already been launched. The widespread view in Washington was that despite repeated approaches, the Europeans—aside from the United Kingdom—had waited far too long and done too little to have any hope of deterring terrorism.

In the United States over 70 percent of those who responded to several different public opinion polls supported the bombing—even if it were likely to bring, as most believed it would, further terrorism. Congressional reaction was also favorable. The majority of Arab governments were either silent or mildly critical (and less so than after the Gulf of Sidra confrontation), while Syria and Iran led the critics. The U.S.S.R. took an aggressive propaganda stance, ostentatiously canceling a visit by Foreign Minister Eduard Shevardnadze to the United States and vigorously criticizing the Reagan Administration around the world, especially in Arab countries and Western Europe. But more noteworthy was the failure of the Soviets to provide an early warning to Libya of the attack, and the absence of Soviet military personnel from the Soviet-supplied air defense installations in Tripoli and Benghazi once the attack began.

In Western Europe initial government and popular reaction was largely negative. Public opinion polls for April 18–20 showed the following attitudes toward the raid: 60 percent against and 30 percent for in the United Kingdom; 70 percent against and 25 percent for in West Germany; but 50 percent for and 37 percent against in France, despite the French government's refusal of overflight clearance for the U.S. bombers on their way to Libya. A survey of commentary appearing in 71 European newspapers showed a striking 95-percent level of disapproval. Yet 80 percent of the commentators worried that the controversy would strain alliance relations, and 90 percent were critical of inaction by their own governments against international terrorism.

The American public response to European criticism of the raids was sharp: 83 percent of those polled expressed a negative attitude toward a perceived European weakness in dealing with terrorism. Responding to this mood, some members of Con-

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gress even renewed calls for a reduction of U.S. forces in Europe. Fear of increased terrorist activity provoked by the raids, lack of confidence in security for tourists overseas, and anger at European opinion (along with falling dollar exchange rates) combined to bring about an estimated 50-percent reduction in the number of American travelers who planned to visit Europe in the spring and summer of 1986. (Approximately two million persons, with an estimated spending potential of $1 billion, stayed home.) This, in turn, aroused more European anger over what some Europeans saw as rash, Rambo-like use of force rather than diplomacy by the United States, provoking Qaddafi and strengthening his position instead of stopping terrorism.

Symptomatic of this overheated atmosphere was a speech by the NATO commander, General Bernard Rogers, in which he said that this period was one of the most stressful for NATO that he had experienced during his term as SACEUR. However, becoming more aware of the intensity of the international terrorist threat and the danger of its political repercussions, European governments began to shift their positions and the strains subsided. On April 21 the European Community foreign ministers met again, condemned Libya, banned arms sales to that country, called for drastic reductions in the number of Libyan "diplomats," and urged better surveillance of potential terrorists and closer cooperation among international intelligence agencies. On April 25 the Trevi Group (composed of interior and justice ministers from the European Community) met, exchanged intelligence on Libya and other international terrorist threats, found that terrorism had not been taken seriously enough in the past and vowed to take tougher measures in the future. And on May 5 heads of state or government of the seven major industrial democracies, along with a representative of the European Community, met in Tokyo and issued a special statement to "strongly reaffirm our condemnation of international terrorism in all its forms, of its accomplices and of those, including governments, who sponsor or support it." They pledged "maximum efforts" to fight terrorism, "combining national measures with international cooperation." Libya was singled out and specific actions were agreed upon, including a total ban on arms sales and a major reduction in the allowed number of Libyan "diplomats."

A large number of concrete actions were subsequently taken by European Community governments to implement their

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policy statements. In many cases the actions were administrative or unofficial, often undertaken without publicity. Nevertheless, they were effective and had a cumulative impact. Some 500 Libyan "diplomats," officials of other Libyan government organizations (e.g., airlines and trade offices) and "students" were expelled or had their stays curtailed. In addition contracts with Tripoli were canceled, government financing and guarantees for trade with Libya were stopped, and purchases of Libyan oil were reduced by most Western countries. Italy's trade with Libya, the greatest in the Community, was drastically reduced. More generally, the application of resources and political efforts to intelligence, security and law enforcement activities was increased, as was regional cooperation, all with the goal of deterring and detecting terrorist activities in Europe.

During the late spring and summer there was a sharp decrease in the number of terrorist incidents in Europe attributed to Middle East origins, and a drastic reduction in indiscriminate, innocent casualties among Westerners—the hallmark of the new strain of terrorism introduced into Europe in 1985. Between May 1 and September 1 there were only eight incidents, compared to 22 for the period from December 27 (the date of the Vienna and Rome airport attacks) to May 1 (when Libyan activities ordered on March 25 had either taken place, been disrupted or been canceled). Total casualties were fewer than 20 for this later period, compared to over 500 casualties during the earlier period.

IV

A direct Syrian connection to terrorism in Europe emerged from two potentially high-casualty incidents that were prevented by the good security procedures of Israel's El Al Airlines. In April, at London's Heathrow Airport, a bomb was detected just before it could be placed, set to explode in flight, on an El Al plane carrying over 350 passengers (230 of whom were Americans). Intelligence collected after the incident, and evidence presented at a trial in London in October, revealed direct links between the man arrested for, and convicted of, planting the bomb and senior Syrian government officials, including some long believed to be behind terrorist activities in the Middle East.

At Madrid's airport in June, another bomb was detected before it could be placed on an El Al plane. The individual was arrested, and there were indications tending to substantiate his

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claim to be a member of the Abu Musa organization, a Palestinian splinter group created with Syrian help and headquartered in Damascus.

Another earlier instance of Syrian support for terrorism in Europe was the March bombing of the German-Arab Friendship Society in West Berlin; the perpetrators were convicted by a Berlin court in November. Evidence linked these terrorists directly to the Syrian embassy in East Berlin, to Syrian intelligence officials in Damascus and to the terrorist who tried to blow up the El Al plane in London.

As a result of the public evidence of Syrian support for terrorism, the European Community foreign ministers (except the minister from Greece) agreed at their November 10 meeting to single out Syria as a state supporting terrorism and to take initial, limited action against that country, including an end to arms sales. Syria's support for the Abu Nidal organization, in parallel with Libya's aid, was a major factor in the Community decision. The United States, timing its actions to correspond with those of European governments, recalled its ambassador from Syria, cut several commercial links and ended all forms of economic assistance.

When evidence linking states to the sponsorship of terrorism can be revealed in open court trials, the effect on popular attitudes and foreign policy making is clearly much greater than when only sensitive intelligence, which usually cannot be made public, is involved. Trials (and convictions) create a very compelling argument for governments to take action against terrorist organizations and against any state supporting terrorism. Although they had intelligence of a Syrian connection very soon after the incidents at Heathrow and the Friendship Society, the governments of the United Kingdom and West Germany acted only after the guilty verdicts. They broke (in the case of the United Kingdom) or sharply downgraded (as did West Germany) their diplomatic ties with Syria and cut off certain aid and trade connections.

Other court trials in Europe during 1986 helped produce a firmer popular and official stand against terrorism, as well as increase the use of judicial action. In Italy the hijackers of the *Achille Lauro* were convicted and received long sentences. On the basis of evidence given during the trial, an arrest warrant was issued for Abu Abbas—whom the Italian government had released in 1985 despite a U.S. extradition request. In France and Spain, as in Italy, trials of terrorists strengthened those

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countries' resolve to take a firm stand, despite threats from groups such as Abu Nidal, Action Directe and the Lebanese Armed Revolutionary Faction (LARF) to commit additional terrorist acts unless their comrades were released from prison.

The French government of Prime Minister Jacques Chirac followed a special policy toward Syria. In November it joined the common European Community position, not exempting itself as Greece had done, and agreed with the governments of the United Kingdom, the United States and West Germany to place tight controls on Syrian officials in West Berlin after the court verdict on the bombing of the Arab social center. Yet in public statements, Prime Minister Chirac expressed reservations as to the degree of Syrian support for terrorism. One reason may have been that suggested by the French press: a desire to encourage Syria to prevent future terrorism in France by groups headquartered in territories under Syrian influence, as well as to enlist Syrian support for the release of French hostages in Lebanon. The resumption by LARF of bombings in Paris during September, which killed some ten persons and left over 160 wounded, had created serious problems for the Chirac government. Information from intelligence and police sources indicated that the LARF terrorists came from Syrian-controlled areas of Lebanon. It was noteworthy that after a high-level dialogue between the French and Syrian governments was established in late September there were no further LARF bombings.

V

Terrorism was also a serious problem in South Asia and Latin America, and in the latter area it had a significant effect upon important foreign policy interests. Although terrorist incidents conducted in these regions had substantially less public and political impact in the United States than those in Europe and the Middle East, Americans were the number-one target of international terrorist attacks in Latin America, and more incidents involving American persons or property took place there than in any other region. However, since the number of American casualties was small, and because the more publicized and dangerous political violence stemming from internal terrorism and guerrilla warfare in Latin America seldom involved U.S. citizens, terrorism there has had only a limited political impact in the United States.

Nevertheless, the combined effect of international and inter-

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nal terrorism on the region, along with that of guerrilla warfare, is of major importance to Washington. It threatens countries where friendly civilian-controlled governments are trying to consolidate or maintain political power and democratic institutions. Administration concerns are even greater when groups conducting acts of political violence receive support from the U.S.S.R., Cuba, Nicaragua, Libya or other governments unfriendly to Washington. Among countries where this is a problem are El Salvador, Ecuador, Colombia, Peru and Chile. Another terrorist-related problem, particularly in the Andean region, is the symbiotic relationship between narcotics traffickers, who supply money or arms, and terrorists or guerrillas who in exchange provide protection for the growing, processing and shipping of drugs. For a number of countries in the region, the Reagan Administration has established programs to offer assistance in counterterrorism, military and intelligence matters, and narcotics enforcement.

In South Asia, too, international terrorism is of less danger than internal terrorism and separatist violence, and Americans are rarely a target. However, this political violence is of serious concern to India, where it stems primarily from Sikh-Hindu friction (there have been some allegations of Pakistani help for Sikh separatists); to Sri Lanka, where it pits the Tamil minority (which gets aid from Tamils in India) against the government and the majority of the population; and to Pakistan. Terrorism in Pakistan is primarily international, conducted mainly by foreign elements supporting the communist regime in Afghanistan, although occasional terrorist actions are conducted by Middle East groups. The attack upon a Pan American World Airways plane in Karachi in September may have been conducted by the Abu Nidal organization with Libyan support.

In the Middle East during 1986 terrorism continued at much higher levels of frequency and lethality than in any other region. Frequently terrorism was a deliberate instrument of state action—in addition to that conducted by groups and individuals for their own political or religious objectives. Terrorism was one of the instruments used in conflicts of varying intensity between Arabs and Israel; among and between Arab governments and Palestinian groups; as an adjunct to the Iran-Iraq war and in Iran's efforts to subvert or sway the policies of various Arab governments; in the kaleidoscopic violence in Lebanon; and against selected Western targets in the region and in Europe. During the month of September alone, for

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example, the world witnessed the Karachi hijacking and a suicide assault on a synagogue in Istanbul, apparently by members of the Abu Nidal group; the series of bloody bombings in Paris by LARF; and a Palestinian grenade attack on Israeli army recruits and their families at the Wailing Wall in Jerusalem. Terrorism and guerrilla warfare marked fighting between pro-Syrian Lebanese Shi'ites and Palestinians in Beirut; attacks by pro-Iranian Lebanese Shi'ites and Palestinians against Israel and the Israeli-backed South Lebanese Army in southern Lebanon; and clashes between Syrian forces and pro-Iranian Lebanese Shi'ites in the Bekaa valley of Lebanon. On Christmas Day an Iraqi airliner was hijacked and over 60 persons died in the firefight and crash landing that ensued.

The perpetrators, their motives and those who supported them differed in most of these incidents. Few incidents had a direct relationship to the traditional Arab-Israeli dispute and responsibility for some was claimed by several organizations. For example, the supplying of weapons by France to Iraq was obviously one of the reasons for the hostility of pro-Iranian Shia groups in Lebanon that have engaged in killing and kidnapping French citizens, including French members of the U.N. peacekeeping force deployed near the Israeli-Lebanese border. The efforts to reach agreement between Jordan and the PLO, as a basis for potential negotiations with Israel, led to a drop during 1986 in terrorism directed at disrupting the peace process, such as those actions conducted by the Abu Nidal group (with Syrian support) against Jordan during 1984–85. There were signs, however, of a tendency toward more political activity and some spontaneous terrorism among younger Palestinians (the "second generation") in the West Bank.

VI

During the summer of 1986 the level of domestic public comment about the American hostages in Lebanon increased, as did the pressure perceived by the Administration for their early release. In May, June and early July the hostage families became more openly active, visible and critical. In late July Father Martin Jenco was freed, an event that was followed by new appeals for the liberation of the remaining American, French and British hostages. Feeling the need to redirect the force of public pressure, the terrorists broke a long period of silence with a flow of communiqués and the release of messages

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and videotapes from the hostages—some of which were evidently prepared under psychological duress.

In October, when the Administration arranged the release from detention in Moscow of *U.S. News and World Report* correspondent Nicholas Daniloff, there was an immediate call by some members of the hostage families for the same amount of attention and effort to be directed toward freeing the hostages in Lebanon. A videotape was rapidly produced by the captors in which two of the hostages (David Jacobsen and Terry Anderson) read statements pleading with President Reagan to make arrangements for their release as he had done for Daniloff, and accusing him of deliberate neglect. This was the first time Associated Press correspondent Anderson had appeared on videotape, a development obviously intended by the captors to reinforce the emotional involvement of the American media in the hostage situation and highlight parallels with the Daniloff case.

Little credence was given to statements by the Administration that it was making constant efforts to obtain the release of the hostages and was willing to engage in a dialogue with anyone able to bring about their release. Public and media attention instead focused almost exclusively on the Administration's public insistence that it would not make concessions, a policy that was criticized as indicating indifference and a refusal to communicate with the captors. However, as the world suddenly discovered in early November, the Administration had indeed been conducting vigorous efforts, through a wide variety of contacts, to obtain the freedom of the hostages.

The White House had evidently hoped to resolve this anguishing dilemma by dealing with Teheran in secret, to obtain release of the hostages without any visible deviation from U.S. policies of no concessions and no arms for terrorist countries. The agreement to sell limited amounts of arms to Iran was predicated on the hope of long-term improvements in Iran's policies toward terrorism and the war with Iraq, as well as being a response by those involved to the President's deep personal commitment to the hostages and their families. To this was added the persistent pressure of the media and the public for the hostages' release. Some of those involved may also have hoped to obtain the release of the hostages before the November 1986 elections.

Two analogous recent situations come to mind wherein democratic regimes, motivated by humanitarian concern,

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found themselves in compromising situations. In May 1984 the Israeli government of Prime Minister Shimon Peres concluded secret negotiations begun by his predecessor and freed almost 1,200 prisoners—including terrorists convicted of multiple murders of Israeli citizens—in exchange for three Israeli soldiers held by Palestinian organizations. Many commentators and politicians in Israel reacted bitterly at this turnabout by the chief proponent of no-concessions, all-out war against terrorists. The explanation heard most frequently was that the release was motivated by pressure from the hostage families, whose members were constantly making appeals, first to Prime Ministers Menachem Begin and Yitzhak Shamir, and then to Peres and other senior Israeli officials, such as Defense Minister Yitzhak Rabin.

In late 1985 and early 1986, French President François Mitterrand sent a number of official and unofficial envoys to Beirut, Damascus and Teheran to seek the release of French hostages. They crossed, crisscrossed and collided with each other, causing confusion in Paris as well as in the Middle East. French television led a spirited campaign for release of the hostages (several of whom were media personnel) which resembled that conducted by U.S. media during the Teheran embassy crisis. The wives of hostages were frequently featured in the media, pleading for action and criticizing the Socialist administration. French officials privately indicated concern over the pressure of this publicity and the complications caused by the media's pointing out of discrepancies between official statements against negotiations and what were believed to be contradictory actions. Jacques Chirac, then leader of the opposition, accused the Socialists of giving in to terrorists. These efforts to free the hostages not only failed, but led to the seizure of four more French hostages (a television crew), and to strong public demands upon France by terrorist groups in Lebanon and the government of Iran.

When Chirac became prime minister he, in turn, placed a high priority on the release of the French hostages. However, he placed the effort publicly and diplomatically in a broad context of improved relations with Iran, as well as overall policy toward Syria and the rest of the Middle East. At the same time, Chirac took a strong public position against concessions to terrorists. As "normalization" with Iran slowly progressed, including phased reimbursement to Iran of a billion-dollar investment in France made by the shah of Iran, French

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hostages were released (two on June 21, two on November 11 and one on December 24). As was the case with the United States, the captors and their Iranian supporters appeared to be doling out the hostages in bazaar-like trading.

There have been numerous other events that demonstrate the dilemma that a democratic society faces in a politically motivated hostage situation. It is a truly agonizing one, especially when the incident is incapable of rapid resolution and it takes place abroad. The highest officials are torn between maintaining a national and governmental posture of strength, based on antiterrorist principles, and a policy more in keeping with their humanitarian and domestic political concerns. Public opinion and media pressures are similarly schizophrenic, one day calling for toughness and no concessions to terrorists, but the next day moved by the plight of the hostages and the appeals of their families.

President Reagan faced this dilemma. His response gradually led him to decide, in early 1986, upon a high-risk, high-stakes gamble involving Iran and hostages, just as President Carter—for similar reasons—had undertaken a high-risk, high-stakes gamble involving Iran and hostages five years earlier. Ironically, in both instances the initiatives were marked by very tight secrecy, were supported by presidential national security advisers and were opposed by the secretaries of state. Both gambles failed, albeit for very different reasons. Both Presidents suffered substantial political embarrassment as a result.

A nationwide *Wall Street Journal*/NBC News poll published on December 5 found that only 17 percent of the respondents believed President Reagan's "handling of America's relations with Iran" had been either excellent (four percent) or good (13 percent), while 73 percent found it either only fair or poor (29 and 44 percent, respectively). The figures in the same poll for President Carter's handling of America's relations with Iran were that 30 percent believed it had been excellent (5 percent) or good (25 percent), while 65 percent found it either only fair (39 percent) or poor (25 percent).

On December 11 the distinguished French journalist and political observer Jean Daniel wrote, of the news that arms transactions had been conducted with Iran by former National Security Adviser Robert McFarlane, that just when "Europe seemed increasingly prepared to heed the exhortations [on terrorism] coming from Washington . . . the revelations of the McFarlane mission have had the effect of a bombshell." He

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added that while there was anger, the principal reaction of America's allies was concern over "a crisis of unity in the democratic camp." He went on:

> On the Middle East, on Lebanon, on the Arab-Israeli conflict and on terrorism, one used to think that there were two different approaches on the two sides of the Atlantic. Now it seems that the United States has decided—all by itself and without consulting anyone—to try a completely different approach. It leaves us Europeans wondering whether Washington has a strategy at all.

The sharp decline in President Reagan's credibility and in public confidence in his handling of foreign policy as a result of actions related to terrorism was a particularly ironic and bitter turn. During his first six years, he had succeeded in asserting U.S. leadership in the fight against terrorism. Other governments, including to a limited degree even those of the Warsaw Pact, had rallied to his idea of a firmer, more cooperative effort against terrorists and states supporting them.

VII

Despite the Iran controversy, Western governments made significant progress in countering terrorism during 1985–86. Since early May there was an appreciable strengthening of collective political will, as well as closer bilateral and multilateral cooperation within the Western alliance to identify, control and pre-empt potential terrorists in their territories. There was also a greater willingness to apply collective and individual pressures in varying degrees on Libya, Syria and other states supporting terrorism. Major public statements to this effect by the European Community were notably stronger than before. More important, these policies were given practical application to a greater degree than before. U.S. and West European concern even spread to the U.S.S.R. and Eastern Europe, where there were the beginnings of an awareness that distinctions must be made between so-called liberation movements and groups whose objectives and operations are primarily directed toward producing terror, and whose targets are often unrelated to their putative "liberation" goals.

Nevertheless, the situation at the end of 1986 was complex, and the outlook was decidedly mixed. Whereas the number of Americans killed or wounded in terrorist attacks in 1986 declined drastically from 1985, the number of attacks against

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U.S. citizens and facilities during 1986 was about one-third greater than occurred during 1985. Concerted efforts by the United States and West European states had forced the diminution of terrorist incidents in Western Europe after May. However, incidents in September in Pakistan and Turkey were dramatic evidence of the terrorists' ability to shift to "softer" targets. The major downturn in terrorism in Europe was more than matched by increases in Latin America and the Middle East. The Iran-Iraq war and the ongoing conflict in Lebanon continued to generate terrorism, some of it even outside the Middle East. Moreover, the apparent decisions by Syria and Libya to reduce active terrorism outside the Middle East were subject to reversal at any moment.

As for the United States, its credibility as a leading force for more effective multilateral measures to prevent terrorism was undermined by the revelations concerning dealings with Iran—as was its ability to lead in the resolution of festering regional and national problems which create the political and psychological environment that nurtures potential terrorists.

As 1987 began, the Administration took initial steps to reassert itself in the field of foreign policy generally, responding to the need to restore its credibility and demonstrate its ability to act, as well as reacting to a dynamic Soviet exercise in public diplomacy, emphasizing its stated desire to be a peacemaker in the Iran-Iraq war and the Arab-Israeli and Afghanistan conflicts and highlighting its arms control policies. New policy pronouncements by the Administration included reaffirmation of its original policies on terrorism and of its determination to apply them in the future without deviation or lapse. Friendly governments in Europe, the Middle East and Latin America were hopeful that deeds would follow words, and that the United States would place still greater reliance upon quiet international cooperation—bilateral, multilateral and within international organizations—rather than unilateral action. At home as well as abroad there was strong popular support for the policies that had proven their value during 1986, before being eclipsed by the controversy over Iran. However, improved communication with Congress and the media will be essential if support for these policies is to be transformed into support for the Administration.

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James H. Billington

REALISM AND VISION IN AMERICAN FOREIGN POLICY

Late in 1986, the average American was jarred out of his domestic preoccupations by the sudden spectacle of secret arms sales to Iran and high-level disarray over the conduct of American foreign policy. The unfolding story seemed—at least in its initial telling—as bizarre as the episodes of a bad television serial. Whatever investigators and judges ultimately conclude about illegalities and however national policies and individual reputations are finally affected, the American citizenry may come to see foreign policy as a soap opera which some invisible hand occasionally turns on to distract it from its real problems. All the world's a script—written by somebody else. It periodically provides us with foreign villains we love to hate and domestic characters we prefer to like—both heroes whom we idolize with sentimentality and courtiers whom we revile with impunity. We end up being not so much instructed about underlying issues as titillated by the messy minutiae of each passing episode.

But in our kind of democracy international affairs cannot be a spectator sport any more than policymaking can be the preserve of a small group of elites. Many must be involved; many more persuaded; and particular policies must be related to some general understanding of America's place in the world. Yet ever since the breakdown of consensus during the Vietnam War we have lacked a coherent view of how America should relate to a changing world. Forming such a view requires a hard look at ourselves as well as at others. We may be surprised to discover that many outside trends are vindicating our inner ideals, that we need vision as well as realism in our foreign policy, and that we relate better to others when we rediscover in ourselves the historical commitment of America to both enlightenment and religion.

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II

It is paradoxical that America is becoming ever more deeply involved economically in the outside world and at the same time ever more psychologically detached from it. Our legislative process tends to produce short-term palliatives for local interests rather than long-term solutions in the national interest. Our executive branch seems perpetually divided within itself—and more effective at increasing military strength than at integrating it into any broader political strategy. The Reagan Administration has helped America recover a sense of self-confidence, a positive feeling for *who* we are, but there has been no comparable gain in understanding *where* we are. Our academic researchers and national media tend to criticize whatever the government says or does—yet produce little new thinking, let alone constructive alternatives. Universities in general have let serious international and language studies erode in their curricula while periodically indulging in extracurricular enthusiasms for symbolic remedies (e.g., nuclear-free zones, economic boycotts).

Faced with confusion in high places, many ordinary Americans seem understandably inclined to withdraw attention as much as possible from the outside world. The impulse is loose in the land to solve problems by cutting ourselves off from them: by restricting imports and immigration, by redirecting our security from the protection of others toward the defense of ourselves. Popular support for foreign involvements of *any* kind may be quietly fading away—and with it the postwar assumption that America should continue to be a world leader.

This neoisolationist impulse in the general population is unwittingly aided by the philosophic relativism that has come to dominate the elite universities and national media. The generation of the 1960s has now gained tenure and given respectability to the view that power is bad, superpowers are the worst, and one superpower is more or less as bad as the other. To be sure, democracies need healthy self-criticism; and relativism in some thinkers counters absolutism in others and keeps our national dialogue civil. But excessive self-flagellation by intellectuals removes their needed talents from serious policy discussion, baffles foreigners who still look to us for constructive ideas, and encourages the nation's adversaries to overestimate the prospects for dividing and manipulating America.

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Far more dangerous than the withdrawal of some Americans from serious policy discussion, however, is the split that continues to exist among the large number in the mainstream who take seriously America's national interests and international problems. For the responsible foreign-policy community still looks at the world with a deeply split personality. The division is often unrecognized, and it occurs within individuals and groups as well as between them. Schizophrenia does not go away just because the patient does not recognize the condition. In the troubled world we live in, it is urgent to analyze the condition now lest it compound a crisis later.

—View A, which might be called *realist-conservative*, holds that America's involvement in the world is basically a negative response to the danger presented by the linkage of Russian imperial power to communist global ideology in the postwar world. The greatest need is for (1) military strength to contain that power and to aid those forces resisting its advance and (2) political skill and will to maintain and strengthen a network of supporting alliances. This view currently stresses the need for a continued military buildup with a strong component of high technology as an efficient means of increasing the West's advantage over the more backward East. Though there are apocalyptical fringe versions of this view (which see the East-West struggle as part of a final historical redemption justifying unilateral military preparations), the dominant version concedes that other problems exist. But it insists that we must continue to concentrate on the Soviet danger.

—View B, which might be called *idealist-liberal*, holds that America's involvement in the world is basically a positive phenomenon resulting from the dynamism of its economic and political system. The greatest need is (1) to renew and perfect the American example and (2) to encourage and support the spread of liberal democratic institutions throughout the world. This view assumes that the basic obstacles to be overcome in the world are not dangers from the U.S.S.R., but global problems of ignorance, poverty, pollution and so forth. In the shorter term, more emphasis is needed on economic and political development—especially in Third World countries emerging from traditional authoritarianism. Though there are also millennial fringe versions of this view (which see the Soviet

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danger largely as a figment of our own paranoia to be dispelled by penitential, unilateral pacificism), the dominant version concedes that there still is a military and political threat from the U.S.S.R. But this threat is seen as a secondary, receding problem that should not preoccupy us so much.

These contrasting points of view generally underlie and reflect basic differences in outlook over the last quarter of a century between Republican and Democratic administrations. Yet our political process has not brought either of these attitudes into clear focus, let alone into systematic debate with each other. American politicans seem compelled to claim a centrist position that incorporates elements of each outlook and thus muddies the issues. The most instinctively liberal of recent presidents, John Kennedy, felt a need to demonstrate a tough appreciation of the Soviet menace. The most instinctively conservative, Ronald Reagan, felt an equal need to articulate a liberal vision of global democratization and abolition of nuclear weapons. Lyndon Johnson, the only president of this era personally to master both the legislative and executive branches, was the last to practice a foreign policy simultaneously committed to the objectives of both views. And the failure of his presidency marked the beginning not just of America's retreat from the outside world, but also of internal doubts about whether we can any longer satisfy both our conservative and our liberal impulses.

Since Johnson, the dominant trend has been toward conservative retrenchment (first heralded in the Nixon Doctrine and the Mansfield Amendment). Greater consensus exists now on the need to sustain American strength and to defend economic self-interest, but hostility to the conservative-realist view remains strong within traditional opinion-making elite circles. Relatively insulated from broader popular trends, professors and commentators still prefer the old liberalism to the new conservatism. There is also a deeper, more apolitical substratum of concern about policies justified solely by material self-interest among many Americans who have developed human and humanitarian links with the world through various private initiatives.

Can we honestly diagnose and sensibly resolve this basic split, or will we leave it in confusion to be resolved by illusion? With presidential elections coming, one can imagine a Republican candidate reassuring conservatives in the primaries, then lib-

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erals in the general elections, while a Democratic candidate follows the opposite course. Although the electoral result would depend largely on domestic considerations, the next president would face even greater difficulty than recent ones have faced in defining, let alone executing, a unifying foreign policy.

Isolationists and relativists might welcome such a process as leading to an across-the-board retreat in our international involvements. But our security and economy are so extensively and irreversibly intertwined with the outside world that major retrenchments could produce serious domestic disorders. Moreover, the very prerequisites for our national existence may—for the first time in recent peacetime history—hinge on our conduct of foreign relations: physical survival (now with the U.S.S.R.), economic solvency (soon with Japan) and perhaps even territorial and linguistic integrity (eventually with Mexico).

The beginnings of coherence in foreign policy may lie in recognizing that the two sides of our inner conflict do not necessarily contradict or mutually exclude each other. View A derives from the necessity of our involvement in the postwar era and suggests the indefinite continuation of a proven short-term response. View B describes an ideal view of ourselves that we periodically invoke and fundamentally believe in over the long run. There is no real incompatibility between the short-run need for a cold war and the long-run goal of a freer, more abundant earth. But many continue to question the rationality of continuing the former, the sincerity of our rhetoric about the latter, and the possibility that American leadership can ever again soberly combine the two.

Is there—can there ever be—a sustainable, unifying foreign policy for a pluralistic people? One that can harmonize View A and View B, short-term necessities and long-term goals?

For a practical people immersed in ongoing involvements it is best to begin by reexamining our short-term necessities, the bedrock assumption of postwar American foreign policy that the U.S.S.R. poses a continuing danger that justifies American global involvements.

III

The United States has never been at war with the Russian Empire and even today does not face a direct geopolitical threat of the classic kind (conquest or intimidation across a border) from the Soviet Union. Nor is the U.S.S.R. a serious economic

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competitor even for our allies. Nevertheless, the Soviet Union poses an altogether unprecedented and complex threat to the United States, deriving from its unique capacity to destroy this country physically with nuclear missiles, reduce the United States politically to vassalage by establishing conventional dominance over Eurasia, and drain it economically by becoming an increasingly dominant political-military force in the Third World.

With such awesome raw capabilities, the classic question of intentions becomes crucial. Here the recent historical record is not encouraging. Nine new Leninist regimes have come into being in the Third World in recent years and aligned themselves with the U.S.S.R. and its satellites. Many of these regimes pose new threats to the oceanic lifelines of Western trade and security. Large-scale Soviet bloc presence in places like Managua, Cam Ranh Bay, the port of Aden and both coasts of Africa provides a reminder that we are confronted not just by traditional Great Russian imperialism, but by the executors of a global ideology. Even the continuing atrocity of a classical imperial move into Afghanistan is justified by the Soviet *nomenklatura*, or elite, as the necessary defense of a threatened revolution. By this reasoning, social processes are no less irreversible than Leninist regimes themselves; and the only limit on Soviet assistance is the capability of the Soviet economy to support military power, and of the Soviet political machine to convert that power into political advantage.

But is there relief in sight now in the Soviet Union as a new post-Stalin generation comes into power facing deep internal social and economic problems and speaking constantly about reform? Will Soviet leaders increasingly stress internal investment over outside adventures in the years ahead—if only to sustain the economic base of their own power?

Internal problems do not, alas, necessarily incline a great power toward external retrenchment. The short-term effect may well be to strengthen Soviet determination to prove greatness abroad precisely because it is no longer demonstrable at home. Beyond the Soviet Union's own foreign involvements lie unpredictable proxies and independent actors who could themselves fan regional conflicts into escalating confrontations between the superpowers.

Faced with so many unpleasant realities and future uncertainties, America should maintain its strength—and indeed its preoccupation with the U.S.S.R. Though Gorbachev's gener-

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ation may not bear the guilt or perpetuate the paranoia of the Khrushchev-Brezhnev generation (which personally participated in, and benefited from, Stalin's genocidal policies of the 1930s), Stalinism will be a difficult legacy to shake. Gorbachev's very determination to launch reforms triggers fears within the system (which he no doubt shares himself) of launching a process that might unravel the Stalinist system of controls and privilege through which he and his colleagues rose.

Times of transition and tension within the Soviet Union generally widen the range of both opportunities and risks for the outside world. The important changes that seem likely to unfold within the U.S.S.R. in the months ahead will be defined by Russians for Russians—and are unlikely to produce approximations of Western models. Nevertheless, the United States does play a role—as the U.S.S.R.'s principal rival and standard of comparison. Our ability to affect Soviet internal evolution depends on our ability to make clear what we really want of the U.S.S.R.

Our long-term goal cannot be merely containing the external expansion of a system whose external behavior results so largely from its ideology. Responsible American leadership has the obligation to encourage any power with the capability to destroy us to develop stronger moral and structural restraints against doing so. Our simple goal should be to have the Soviet leaders renounce their expansionist ideology and concentrate on developing their own country. We should bluntly insist that they acknowledge peaceful coexistence to be the enduring condition of a pluralistic world—not a tactical stage in a continuing struggle.[1] We should neither call for a crusade nor suggest a blueprint for them. But we must stop suggesting that our basic antagonism is toward the Russian nation (which will not go away) rather than to their current communist commitments (which are already fading).

A parallel, priority goal of American policy is to prevent nuclear war. Since the greatest danger of nuclear war in the short term lies in the possession of nuclear weapons by a Soviet oligarchy unaccountable to its own people, we must make sure

[1] It would be a mistake to ask too little of the Soviet leaders just as it would to ask too much. In this case, the outside world would be asking only for something that most Soviet people clearly want and that even many communists seem to be groping for: a withdrawal from the global mission that was ritually reaffirmed at the beginning and end of Gorbachev's new Communist Party Program—to concentrate on the larger and more innovative middle part of the program, which is devoted entirely to internal economic and social improvement.

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that Soviet leaders continue to believe in the reality of our deterrent power and will. But what is necessary may not be sufficient—and not just because of the number of weapons and the risk of accidents. The deeper danger is the growing tendency to permit weapons to become the measure of everything else in foreign policy, and the arms control process the main public measure of superpower behavior. This subtly favors the U.S.S.R., since weaponry is almost the only area in which they meet an open competitive standard—and it takes international attention away from other, more immediate dangers that the U.S.S.R. continues to pose through (1) sub-nuclear regional conflicts to which it and its proxies remain committed, and (2) its massive advantage in conventional military strength with which it continues to threaten Europe.

There will be differences and debate over who should amass what kind of strength in the West and where it should be deployed to contain Soviet power. But the West must realize that the U.S.S.R. remains our principal, common source of danger, and that this danger will not vanish simply by controlling or reducing strategic nuclear weapons. It is not enough to answer "better dead than red" with "better neither than either." The deeper point is that becoming red could in itself lead to becoming dead. No conflicts have been more bitter in the postwar era than those among communists (for example, the Cambodian holocaust); and this is the logical fruit of a system that produced under Stalin the largest internal genocide of any political oligarchy against itself in modern history.

There is, then, a continuing logic in the realist-conservative position. Its basic assumptions are that containing Soviet power militarily remains the major reason for U.S. involvement in the world, and that maintaining credible deterrent power and Western political unity are still the main tasks of U.S. foreign policy.

Two new emphases seem needed for the period ahead (particularly if the superpowers were to agree on substantial reductions in strategic nuclear arsenals): (1) the buildup of Western conventional military strength to deter the Soviet use of its conventional military advantage for conquest or intimidation in Eurasia; and (2) launching a bilateral dialogue with the U.S.S.R. to evolve "rules of the game" in areas of conflict in the Third World where special dangers of escalation are raised by proxy activities, arms shipments, terrorism and so on.

This is a familiar, modest program for maximizing strength

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and minimizing risk using traditional military and diplomatic means. Perhaps it is all that America can or should undertake in view of isolationist sentiment and looming economic problems at home.

But broader developments in the world suggest that even this updated version of conservative realism (View A) will not provide a sufficient basis for American foreign policy in the long term. We may have to draw again on our idealist-liberal legacy (View B), not because anyone has yet persuasively restated that ideal, but because a changing world compels us to work with dynamic forces rather than merely to conserve static balances.

What dynamic force can produce constructive internal change in the U.S.S.R.?

The realist-conservatives ultimately assume that only external force can induce such change; they point to the historical fact that defeat in war has provided the major catalyst for serious reform throughout modern Russian history. But no one seriously suggests major war in the nuclear era, and there is no reason to assume that the mere external accumulation of military force would have anything like the same internal effect. Such buildups tend rather to reinforce militaristic and xenophobic tendencies in the Soviet system.

To be sure, the need to counter Western weapons advances does put acute pressure on the Soviet leaders in a time of economic stagnation and technological lag. But they will always choose guns over butter, and those within the leadership seeking to perpetuate the Stalinist system of repressive rule can be unintentionally aided by outside bluster. They will use it to convince their subjects that now, as in the 1930s, there is an external danger great enough to justify mobilization and xenophobia.

There is also not much realistic hope that either internal democratization or imperial disintegration will come along to lessen the Soviet danger in the near future. Liberalization is not built into the general process of modernization, and democratic institutions have been particularly absent from Russian history. The much-discussed demographic rise of the non-Russian peoples to majority status in the U.S.S.R. has not brought any lessening of Great Russian dominance either in the party leadership or in control of the army and police that hold the empire together.

The only force that can rid the Soviet colossus of its global

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involvements is the rising generation in the U.S.S.R., with the substantial participation of ethnic Russians. The only battlefield on which foreigners can affect the process is that of ideas. Ideas are the historical currency of modern Russians and will be increasingly important for the new, better educated post-Stalin generation as it confronts the need for deferred reforms and new technologies. For any new ideas to take root in the U.S.S.R., they must not be perceived as transplants from foreign soil, but rather be rooted in universal values congruent with a wide range of possible Russian futures.

It is precisely here that View B becomes newly relevant—but also acutely in need of redefinition. The idealistic view that America's role in the world is a positive one with broader relevance could embolden us to speak to our opponent's deepest need. But can we speak in terms that are inviting rather than threatening? Can we articulate universal ideals for tomorrow that may help us move beyond the parochial preoccupations of today?

IV

Any attempt to redefine the liberal democratic ideal for a broader audience must first face the relativist's skepticism that any single society today has much to say to any other. Can any norm drawn from the America of yesterday really be relevant to the emerging world of tomorrow?

The surprising answer, I believe, is yes. Four features of contemporary development suggest some unanticipated recent convergences between the ideals of Americans and the realities of a changing world.

The first current of our time that may make the American experience more relevant to the world is the replacement of revolution by *evolution* as the new pattern for social change and source of political legitimation. It has always been a cliché, and may now be an anachronism, to say that we live in an age of revolution. Despite some successes in extremely authoritarian societies like Cuba, Ethiopia and Nicaragua (and in scavenging the French transition from colonialism in Southeast Asia and the Portuguese one in southern Africa), the inventory of Leninist victories does not seem very impressive given the long postwar era with all its disruptive change and Soviet investment in subversion.

The real dynamism in social, economic and political development during recent years has lain in constructive evolution

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toward democracy rather than in destructive revolution leading to dictatorships. In Western Europe and Japan, southern Europe, South America and South Asia, particularly in the case of India, democratic evolution rather than totalistic revolution has increasingly been the means of bringing real change to stagnant societies. The most profound and perhaps prophetic challenge to a Soviet-type regime in Eastern Europe has come not from any revolutionary (or counterrevolutionary) elite driven by ideology, but from a spontaneous popular movement in Poland calling not for power, but for radical *evolutionary* change.

The revolutionary fire is still burning itself out on the peripheral killing fields of the Third World. But French (and other European) intellectuals, who originally lit and long tended the flame of revolution, have decisively turned away from their historical Marxism in one of the most dramatic intellectual developments of recent years. As historians everywhere inventory the horrors perpetuated in the name of authoritarian revolutionary ideologies, humanity seems increasingly inclined to look to evolution rather than revolution for fresh beginnings. In such a world, the meliorative American model with all its compromises and improvisations may have more to say than the absolutist models with all their public myths and private murders.

A second powerful force at work in the world that gives new relevance to the American experience is the rising importance of education and intellectual elites in world politics. The increase in the educated population of the world may be even more portentous than the global population explosion itself. The life of the mind has a vested interest in liberty, and liberal learning produces an inherent bias toward free societies. Our commitment to higher education is the largest, both relatively and absolutely, that the world has ever seen—and a magnet as well as an example for much of the world. Spreading the taste for the unlimited pursuit of truth powerfully challenges systems such as that of the U.S.S.R., which claims in the very name of its newspaper, *Pravda*, already to encapsulate truth in state policy. More fundamentally, the pursuit of truth tends to keep us from the pursuit of each other. It is ultimately noncompetitive, and in an age when rising populations face finite resources, it may be that only in the expanding pursuit of truth can the horizons remain truly infinite for our cherished ideal of freedom.

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A third force that may give new relevance to the American experience is the return of the sacred. Far from becoming irrelevant with the spread of education and modernization, religion has in many parts of the world become a resurgent element in that change. The most unforeseen new developments of the last decade in the communist and Third Worlds (respectively, the rise of Solidarity in Poland and of Khomeini in Iran) were both political movements rooted in prophetic monotheisms. Much of the unanticipated, fresh dynamism of both conservative politics in North America and radical politics in Latin America has been linked with religion and religious leaders.

Our individual commitments to faith enable Americans to identify with an entire dimension of human experience that communists, committed as they still are to atheism, can relate to only in insincere and manipulative ways. The force of religion may prove a positive element within the nativist revivals currently noticeable in Eastern Europe—in East Germany, and perhaps even in the U.S.S.R. as it looks ahead to celebrating in 1988 the millennium of the eastern Slavs' conversion to Christianity.

A fourth area in which an American ideal is becoming a global necessity lies in our commitment to religious and ethnic plurality. The rise of new religious passions alongside old ideological ones creates an urgent need for the world to better accommodate variety in the crowded global conditions that lie ahead. One speaks of plurality or plural communities rather than pluralism because the American experience—for all its imperfections—celebrates a variety of authentic beliefs rather than a monistic secularism that finds all beliefs equally irrelevant.

The maintenance of a civil, civic unity among diverse communities is an aspect of American aspiration that may prove increasingly relevant to a world that seems to become ever more diverse culturally as it becomes more interrelated technologically. America has been a proving ground for bringing some measure of unity out of diversity—and could prove to be something of an experimental laboratory for the broader global community. Our principal new immigrants—Hispanic and East Asian—provide internal links with major external problems that will face us in the period ahead: our sociopolitical confrontation with Mexico and our economic-cultural confrontation with Japan. If confrontation with the former will pull us south

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into greater interaction with the Third World, our already intimate link with Japan will pull us increasingly east into contact with a number of cultures that are foreign to us—but which must be grasped in new ways since they represent the oldest and most populous civilizations on earth.

Our greatest long-term challenge may well be learning to live harmoniously with the great Asian cultures as they emerge into the modern world. Our special relationship with Japan and our growing links with China provide important opportunities to begin building bridges, not just with these Confucian-based societies of East Asia, but also with two other extra-European culture zones that we understand even less: the great Islamic belt of nations that stretches from the Indonesian archipelago through Central Asia to the Middle East and North Africa, and the Indian subcontinent of Hindu and Buddhist peoples in South and Southeast Asia. The long-term instruments for building understanding (deeper cultural and commercial relations) need to be developed intensively now if we are to avoid confrontations and deal more effectively with these cultures in the future.

But one can build bridges out to other cultures only if one has begun with casements deeply embedded in one's own native soil. We cannot relate to others if we do not know who we are ourselves. Unless the Western world acquires a clearer and more unified sense of its common ideals than it has had in recent years, we may not be able either to contain Soviet power in the near term or to deal with an emerging Chinese, Islamic or Indian colossus over the long term. The managers of Soviet foreign policy may continue so effectively to divide Europe against America and public opinion against governments that Soviet leaders may continue to legitimize their system by seeking gains abroad more than reforms at home. By the 21st century, Western liberal democracy may be eclipsed by new autocratic models from the East—whether under communist, Islamic fundamentalist or some other proto-totalitarian auspices.

V

But what is this "West" that we must uphold and defend? It is not just a NATO alliance, a North Atlantic community, or even a trilateral club of North America, Western Europe and Japan. Nor is it an empire in any meaningful economic or political sense of the term. The term "free world" comes closer,

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but represents more the statement of a preferred condition than the description of a complex polity.

"The West" can best be described as an international commonwealth of the relatively free and accountable industrialized democracies. The key problem for this loose but dynamic community lies hidden within the word commonwealth. For the advanced democracies are precisely the places where one finds a lot of *wealth* but little in *common*. The unprecedented economic productivity of a global network of large and small market-oriented nations has created a web of economic interconnections that in effect constitutes a new international system. But this economic system has not yet produced any shared values, let alone common vision—and its workings are not clearly understood, let alone legitimized, by the democratic populaces who benefit from it. As a result, the economic strength and long-term advantages of free-market democracies over authoritarian rivals is not accompanied by moral force or political will. This lack of underlying will and purpose is a far more serious problem for the West than the oft-discussed travails of foreign-policy management in the United States or of coordination with allies. The first prerequisite of effective management is clear common purpose within the enterprise, and it is this lack of shared goals in the West that takes us back to the present danger from the East.

The classic image of the West, in Imperial Russia as in Soviet Russia, has been of a superior material force that is nonetheless morally weak and politically divisible—and thus ultimately unable to prevail against a more determined rival which combines a clear strategic objective with infinite tactical flexibility. The more educated Soviet leaders now moving into power are hothouse products of the *nomenklatura* who are inclined to assume that younger and brighter people can make old techniques work better by new sophistication in implementation rather than by real changes in policy.

Just because the Stalin-type campaign against American missile emplacements in Europe did not succeed a few years ago is no reason, in their view, for not mounting another campaign against the Strategic Defense Initiative and perhaps preparing a third for some kind of nuclear-free Europe. The vast Leninist mechanism for political manipulation needs periodic exercise. Its targets remain the same (to separate Europe from the United States and public opinion from governments), and there are promising new prospects for widening the penumbra of

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front activities (with church groups) and for exploiting the breakdown of bipartisan consensus on foreign policy within major Western countries: the U.K., Germany—perhaps even the United States. The basic Soviet target remains the same and just as subject to threats and inducements as ever: Germany, the key to Europe. The U.S.S.R. still controls a large piece of its property, and the U.S.S.R. always retains the dual options of proposing a deal or staging a power play. Soviet policy remains focused on a West German state that combines an increasingly addictive special attachment to East Germany with the general weaknesses of the advanced democracies: divisiveness and complacency tinged with its own isolationism and relativism.

Such weaknesses in Germany are more a product of the successful democratization—even Americanization—of the Federal Republic in the postwar era than of special German traditions. Even the anti-Americanism of recent years has a curiously American flavor. *Die Zeit*'s lofty disdain for recent American leaders has an Ivy League faculty club ring to it. The Greens' emotional war on technology and the military is reminiscent of student demonstrators from the 1960s.

VI

Time and again, the problems of individual Western countries turn out to be common ones crying out for common solutions, and more often than not the solution must begin where the problem did: in America. The way that America does or does not deal with its key problems is therefore of central importance for the entire commonwealth of advanced democratic nations. In particular, two basic American problems today will sooner or later affect much of the rest of the world: deficits and decadence. These forces probably represent a greater long-term threat to the survival of free societies than the divisions within these societies.

Massive budgetary deficits in the United States represent a ticking time bomb for the entire world economy and are particularly unsettling for our closest friends and allies. Deficits have a moral as well as an economic dimension. They represent a society devoid of discipline, spending more than it earns, consuming more than it produces—living perhaps on borrowed time as well as borrowed money. President Eisenhower, the last leader to hold the line, feared in his later years that this proclivity within our society (and the massive governmen-

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tal-technological bureaucracy that it spawned) might come to represent an internal threat to our type of society no less real than the external threat posed by the U.S.S.R. A society where wealth is made by producing lawsuits and buy-outs rather than the basic goods on which it depends is in danger of losing control over its own destiny.

The deeper question arises of whether America is in fact living off its capital spiritually as well as materially. Are we in fact the new version of the late Romans—a decadent people living off the sacrifices of previous generations, likely to decline from the sheer weight of our own flabbiness? Isolationism and relativism are to a large degree part of this late Roman syndrome. As the elite turns increasingly to lounging on the latifundia and the great urban complexes continue their slow process of decay, it has become almost respectable to be indifferent to one's neighbor and preoccupied with narrow, self-centered issues. Conservatives have made self-aggrandizement the necessary engine of social progress, and liberals have made the self-interest of special groups the main vehicle of social justice. There would not seem to be much help on the way as the "me generation" of students enters the "information age." In our passive, television-oriented consumer culture there is too much information to digest but never too much scandal. No one cares much about the public agenda anymore. Civil decencies and civic involvements are undermined by a visual medium that encourages spectatorism and destroys interest in issues (let alone participation in their resolution) while relying on sex, violence and sheer noise to arouse us from our self-indulgent stupor.

The root problem is that America has divorced freedom from responsibility, and our kind of society cannot survive without both. The success of freedom here and the spread of free institutions elsewhere has been the most constructive force in the postwar world. The erosion of individual responsibility within America and the West generally now threatens to be the most destructive force. The loss of shared values within probably threatens our international commonwealth of advanced democracies more than the growth of hostile forces without.

George Washington warned in his Farewell Address that our kind of system could survive only for a morally responsible people, and that morality historically depended on a strong religious faith. Durable societies are always rooted in shared

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values—which will in the long run be imposed from without if they are not sustained from within. But how can meaningful common values be defined for a pluralistic democracy like ours, let alone an even more pluralistic international commonwealth of democratic states? One can almost hear the relativists warning us that it is best not even to try; the isolationists reminding us that Washington also urged us to avoid all entangling alliances; and the conservative-realists ending up in charge once again with their minimalist approach of moving out from the cocoon only to combat clear dangers, never to advance broader ideals.

But we are doomed by our own destiny to take seriously something more than mere material self-interest or self-preservation. For it is our dynamism more than any other single force that has already imparted to so much of the postwar world its irreversible infection with a thirst for education, material opportunity and, yes, spiritual aspiration. So the real question is not can we avoid shared ideals but can we agree on any that are deep enough to affect our own people yet broad enough to move others?

Any attempt to redefine the liberal democratic ideal for today's pluralistic world must begin by sorting out the peculiarities of our development from the genuinely universal part of our ideals. We must move beyond earlier visions of a future world as essentially an extension of American institutions: whether political, as in the Wilsonian idea emerging from World War I, or economic, as in the American hegemony that emerged from World War II. A new statement of the ideal can draw strength, if it does not draw exact models, from the type of responsible government projected by Wilson and from the type of free economy projected by Reagan. But the ideal is less narrowly culture-bound when defined as freedom and accountability: (1) freedom and autonomy for individuals and small groups—materially, intellectually and spiritually, and (2) participation and choice for the governed in holding accountable all those exercising political and economic power.

Political accountability, economic opportunity and religious freedom are widely shared aspirations even in places where parliamentary democracy, market capitalism and the Judeo-Christian tradition may be unknown. The thirst for national self-determination and human freedom articulated in the American Revolution has proven more enduring in its appeal than the call for communal equality sounded in the Russian

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Revolution. It is not just that equality has proven illusory and the Soviet model unattractive. The ideal of human freedom simply seems to be more inherently appealing. The key question may not be whether the ideal will spread to others, but whether or not freedom can be rooted once again in responsibility among its original proponents.

The American ideal—reduced to its essence—is compounded of two vital elements: enlightenment and religion. There is, and will always be, an inherent tension between the two. But both have been essential to American achievement in the past, and both may be needed for global survival in the future.

America was guided by a covenant even before it was governed by a constitution. If the intellectual vitality of the Enlightenment guided us in shaping institutions for self-government, the Christian convictions of the original settlers created the sense of responsibility that prevented liberty from sliding into license. The applied intellect of the Enlightenment, which we have developed so extensively in our system of higher education, is by nature critical and cannot invent new values as easily as it can destroy old ones. In American tradition the question of responsibility to whom has almost always been answered by responsibility to God: the ultimate source of justice and judgment. Unless that answer can be given more firmly by more people in the educated American opinion-making elite, there will continue to be a polarization that will make it impossible to define any common values. America will remain divided between those who are spiritually committed but not intellectually trained and those who are highly educated but deficient in moral and spiritual conviction. While some purely secular system of values might theoretically be devised for a smaller, more homogeneous society, religious values are in fact by far the controlling ones in the United States; and it is hard to envisage effective leadership in a democratically accountable society that does not build on, rather than snipe at, these values.

The Americans' God was mainly Christian, but is now generally described as Judeo-Christian—a healthy reminder of the deeply Old Testament base of the faith of the original Puritans as well as the special contribution to America of one of our most creative religious minorities. In general, America has added new faiths rather than destroyed old ones—and has

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insisted that freedom *of* religion not mean freedom *from* religion.

Those relativist intellectuals who fear real religion and reject a strong national defense put themselves in opposition, respectively, to the deep convictions and basic instincts of most Americans. In doing so, they unwittingly help undermine the very society that has permitted such unprecedented scope for the life of the critical intellect. By refusing to play a leading role in combating the advance of Soviet-type systems, which call for enlightenment without religion, they have left the field open to the growing number of extremists in our midst who call for religion without enlightenment.

VII

Since the common Western problems of division and decadence more immediately endanger our exposed allies than ourselves, it might be advisable to have the leaders of the advanced democracies discuss values rather than economies at their next summit. The marketplace can deal better with economic than with value questions. Now might even be a time to sketch out some declarations of principles for the commonwealth of free democracies not unlike the Atlantic Charter and Four Freedoms of the wartime period. These should be developed jointly—and not be the product of unilateral American moralism. But Americans should not be afraid to discuss publicly and even to proclaim some moral ideals, for the deepest values of a people must, in a democratic society, provide the basic legitimacy for its behavior in the broader world.

The new generation in the U.S.S.R. could ultimately be the most important (if most immediately hidden) audience for a fresh display of a common higher purpose in the West. The Soviet leadership's determination to undertake extensive economic reform may lead to unintended consequences. To give their system new dynamism, the Soviet leaders will have to infuse it with either new fear through repressive chauvinism or new hope with scope for incentives. If the West can speak both firmly to the outer, older face of power and at the same time hopefully to the inner, younger voices of aspiration, we could help the process of change in the U.S.S.R. become change for the better. Any such change would probably draw more deeply on Russian tradition than on Western example, but that tradition includes Christian resources no less deep than those of Western Europe. And America plays a special

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role in the internal Russian drama as the only power that can destroy them and the only power by which they measure themselves.

What, then, if we were to provide them—and ourselves—with a different measure? What if we were to move from a reaffirmation of shared values in the West to the declaration of a large-scale shared project by the commonwealth of advanced democracies for the development of the Third World? Unless we believe in our ideals strongly enough to sacrifice some of our wealth to spread them, we would be better advised simply to retreat to the minimalism of View A—or further still into fortress America. But what if we were able to help define a common strategy for the advanced democracies to aid in developing the Third World in a way that maximized both freedom for their people and accountability in their governance? We would be establishing better links with new leaders in Latin America and Africa who have often moved beyond reflexive anti-Western rhetoric to begin building freer societies that combine traditional and Western values. And we would be inviting the new generation of Soviet leaders to move from the zero-sum game of our present bilateral competition to the positive-sum game of global democratic development. If they were not willing to join us in this enterprise in the twentieth century, they would face the risk of becoming irrelevant to the 21st.

Such a new strategy would be multilateral in origin and collaborative in implementation. It would initially emerge from discussion among the advanced democracies; small ones may have as much to suggest as larger ones, but much might also be learned from the creative recent experience of the American private sector as well as from earlier public initiatives like the Marshall Plan and the Fulbright program. Within the Third World itself, existing community-based institutions and local ethnic and religious groups may prove to be more efficient and humane vehicles for facilitating development than distant bureaucracies. If the ideal is deeper than mere material development, the advanced democracies might collectively fashion a variety of new programs that would avoid either reinforcing local autocrats or overthrowing local cultural traditions.

Such policies would link aid with self-help and would promote respect, not only for universal human rights, but also for indigenous ideas of divine responsibility and local traditions of social organization. Development would be a collaborative

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activity designed to root liberty and accountability in civil society rather than just to generate wealth for a centralized state bureaucracy.

It is important to set a new global agenda that adds the vision of View B to the realism of View A in order to keep us from making weapons the main focus of our attention in the discussion of foreign policy. Paradoxically, even those who call for reducing or freezing our strategic arsenal can involuntarily compound the problem by focusing either on technological carvings on the totem pole or on symbolic actions that do not go to the heart of the main problem, which is the risk that other kinds of confrontation could involuntarily escalate into nuclear conflict. Unless our own unifying ideals transcend the materialistic ones of prosperity measured in consumption and security measured in weapons, our society may become ever more fixated on the thermonuclear totem in a debt-ridden garrison state. America as we have known it will be in its terminal travails, and the only real question will be whether we end with a bang or a whimper—burning in space or freezing in place. Setting a new global agenda would help turn our attention from rival totem worship to new rituals of collaboration. We would be following the main injunction of the best theological writings on the nuclear problem: the obligation to use the time gained by mutual deterrence to begin establishing a more positive basis for peace.

But can our type of democracy really manage a complex foreign policy—one that combines View A and View B, that simultaneously speaks realistically to the outer face of Soviet power and idealistically to its inner aspirations? Would we be just projecting our own pride once again out into the world, moving back from the conservative realism of Nixon-Kissinger to the overextended globalism and potentially tragic hubris of Kennedy-Johnson? Should we not pull in our horns and go back to Eisenhower, or to even earlier forms of withdrawal that might satisfy both the isolationism of our people and the relativism of our intellectuals?

The fact is that we cannot either go back or stay home. We are in the world psychologically and ethnically as well as economically and ecologically. That world—all of it—is increasingly interrelated by (1) the unity and destructive potential of our technology, (2) our ecological and resource interdependence, and (3) our economic interrelationships in producing and distributing the world's goods and services.

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It can be dangerous for an imperfect people to proclaim a higher ideal (groups being even more fallible than individuals). The exercise will be redeemed only if our people recognize again that we are subject to a higher, more universal standard of judgment—and then pay a price in homage to that ideal. If it costs us something voluntarily, it minimizes the danger that we will be merely projecting our coercive force onto others. Each nation in our pluralistic world is most likely to help others by first rediscovering the highest ideals within itself. Our interrelated, endangered planet needs not the lowest common denominator of agreement based on indifference but a higher numerator of hope, which only faith can provide.

If we do not have enough faith in democracy to make new sacrifices to share it, we will risk breaking our own links with our forefathers' concurrent faith in a God of justice and judgment. And we will fail our heritage of rational enlightenment no less than that of revealed religion. For experience has confirmed Reinhold Niebuhr's famous dictum that, if man's capacity for good makes democracy possible, his possibility for evil makes it indispensable.

But are faith and vision finally compatible with realism, with the tangible realities and more manageable tasks of simply responding to the passing parade of external dangers? Our dangers in the nuclear era will not pass away, and deep conflicts in history—such as ours with the Soviet Union—are not likely to be solved so much as bypassed. We cannot ultimately "solve" our problems with the Soviets' ideologically based empire either by amassing ever more weapons to put pressure on them or by offering ever more concessions for agreements to reassure them. But, by creating a new agenda of constructive democratization elsewhere in which they also can participate, we provide a positive way out of indefinite confrontation and perpetual danger.

Of course, it would be simpler and cheaper for the United States to subscribe to either View A *or* View B rather than to both. But our kind of system will not ultimately survive without both ways of looking at the world, for the democratic experiment has always needed both a strong defense and a transforming ideal.

The cause of peace would not be promoted by drastically retrenching the defense commitments dictated by View A in order to subsidize the development called for by View B. In the absence of major Soviet retrenchment abroad, such unilat-

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eral disarmament on our part would inspire contempt rather than gratitude among Soviet leaders, encourage advocates of violence in the Third World and impede rather than advance the latent potential for real change within the rising generation in the U.S.S.R. But we cannot drift into accepting the military strength required by View A as our only serious international obligation—and viewing the programs required by View B only as marginal additions or rhetorical embellishment for realpolitik. Our positive long-term objective keeps short-term military necessities properly subordinate to higher civilian aims. View A will be unacceptable in the long run to our people and to the other members of the international commonwealth of democratic states unless it is complemented by View B.

The vision of more accountable governments and freer societies ultimately provides not only a common ideal for the democracies, but a better basis for communicating with the nondemocratic nations of a pluralistic world. We must be tough and specific with the ruling Soviet elite precisely because we wish to be broad and generous with their long-suffering people.

The centrality of human rights in such an agenda introduces real difficulties, but human rights have provided a banner for both deepening the democratic commitments of Western Europe and reviving them in Latin America. The proclamation of such rights was part of our founding identity as a nation and has become—through the Helsinki agreements—part of the international obligations of the Soviet Union and its East European satellites.

The cause of human rights provides a valuable vehicle for peaceful, evolutionary democratization throughout the communist world. It can help them to come up gradually from their long submersion in the Stalinist depths to the fresh air of freedom—without going through the bends of military dictatorship or civil war. There as elsewhere, the approximation of democracy through increasingly accountable governments may ultimately prove, in an imperfect and divided world, the best long-term guarantee of peace. Out of the large literature on how wars start in the modern world, there emerges one heartening fact: democracies do not fight one another.

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CHRONOLOGY 1986

Edited by Sara Robertson

IRAN/CONTRA CRISIS

Nov. 2. David P. Jacobsen, American hostage of Islamic Holy War, is released from an 18-month captivity in Beirut.

Nov. 3. Lebanese weekly magazine *Al Shiraa* reports that former National Security Adviser Robert McFarlane had secretly visited Teheran to negotiate an end to Iranian support for terrorism in return for the supply of American spare parts for Iranian military equipment; editor later reveals that his information was supplied 10/27 by 2 representatives from the office of Ayatollah Hussein Ali Montazeri, believed by many to be Ayatollah Ruhollah Khomeini's nominal successor and rival to the speaker of the parliament, Hojatolislam Hashemi Rafsanjani.

Nov. 4. Rafsanjani, in a speech marking seventh anniversary of the takeover of the US embassy in Teheran, says McFarlane and 4 other Americans made secret mission to Teheran; mission later disclosed to have taken place 5/86. National Security Adviser Vice Adm. John M. Poindexter releases statement that US remains committed to arms embargo against terrorist nations: "As long as Iran advocates the use of terrorism, the US arms embargo will continue."

Nov. 7. Secretary of State George P. Shultz says he remains opposed to negotiating with terrorists for the release of hostages, but indicates he cannot comment further because of a White House restriction: "I don't particularly enjoy it. I like to say what I think about something." Administration officials reportedly say that the President had approved a broad plan for secret contacts with Iran. President Reagan appears at the White House with released hostage David Jacobsen, who urges reporters to "back off" on stories about secret negotiations.

Nov. 8. Members of Congress announce plans to investigate whether the White House violated congressional restrictions on convert operations; Senator Patrick Leahy (D-Vt.), vice chairman of the Select Committee on Intelligence, says "The basic question is whether they are using the NSC [National Security Council] to get around the American law." It is also reported that the key official in the operation was NSC staffer Lieut. Col. Oliver North. Aides to Secretary Shultz are quoted as speculating about his possible resignation; White House denies that Shultz has been ordered to remain silent.

Nov. 10. The President meets with senior advisers to discuss the Iranian situation; White House issues statement reemphasizing that "no US law has been or will be violated" and that "our policy of not making concessions to terrorists remains intact."

Nov. 12. The President meets with congressional leaders, who report that Reagan acknowledged for the first time that the Administration had sent military supplies to Iran but defended his actions as necessary to establish contacts with "moderate" elements in Iran. *The New York Times* comments editorially: "The White House is erecting its thickest stone wall since the Nixon years to fend off questions about the blundering arms-for-hostages deal with Iran."

Nov. 13. In nationally televised address, the President stresses that he authorized a small supply of arms to Iran but not as a trade for hostages: "In spite of the wildly speculative and false stories about arms for hostages and alleged ransom payments, we did not, repeat, did not trade weapons or anything else for hostages—nor will we." Reagan also asserts that since the contacts had begun there had been "no evidence of Iranian government complicity in acts of terrorism against the United States."

"For 18 months now we have had under way a secret diplomatic initiative to Iran. That initiative was undertaken for the simplest and best reasons: to renew a relationship with the nation of Iran; to bring an honorable end to the bloody 6-year

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war between Iran and Iraq; to eliminate state-sponsored terrorism and subversion; and to effect the safe return of all hostages.

"The charge has been made that the United States has shipped weapons to Iran—as ransom payment for the release of American hostages in Lebanon—that the United States undercut its allies, and secretly violated American policy against trafficking with terrorists. Those charges are utterly false. . . .

"It is because of Iran's strategic importance and its influence in the Islamic world that we chose to probe for a better relationship between our countries. . . .

"Our discussions continued into the spring of this year. Based upon the progress we felt we had made, we sought to raise the diplomatic level of contacts. A meeting was arranged in Teheran. I then asked my former national security adviser, Robert McFarlane, to undertake a secret mission and gave him explicit instructions. I asked him to go to Iran to open a dialogue, making stark and clear our basic objectives and disagreements. . . .

"The actions I authorized were and continue to be in full compliance with federal law—and relevant committees of Congress are being and will be fully informed."

Commenting on the remarks, Senator Barry Goldwater (R-Ariz.) says that the sending of arms was a "dreadful mistake"; Senator Robert Byrd (D-W.V.) calls it a "major foreign relations blunder."

Nov. 14. Iranian President Hojatolislam Ali Khamenei says Reagan's assertions that diplomatic negotiations had taken place are "mere lies"; White House says CIA took part in arms shipments; an Israeli official reportedly says that Israel had been shipping arms to Iran since 1982 and that the US ambassador to Israel was regularly informed of such shipments.

Nov. 15. Reagan meets with top advisers in Camp David, Md., but they are unable to agree on a solution to the crisis.

Nov. 16. In response to criticism White House Chief of Staff Donald Regan says: "Some of us are like a shovel brigade that follows a parade down Main Street cleaning up. We took Reykjavik and turned what was really a sour situation into something that turned out pretty well. Who was it that took this disinformation thing and managed to turn it? Who was it took on this loss in the Senate and pointed out a few facts and managed to pull that? I don't say we'll be able to do it 4 times in a row. But here we go again, and we're trying."

Secretary Shultz, on CBS program "Face the Nation," says he opposes further arms sales to Iran; asked whether he could speak for the Administration, he answers "no." Also says he had agreed with a "probe" of Iranian intentions in 1985 but had opposed sending arms as a good-faith signal, but that the President "decided that he would go ahead and send this signal." Poindexter, on NBC's "Meet the Press," says Adm. William J. Crowe, chairman of the Joint Chiefs of Staff, was not informed of shipments because they were primarily an intelligence matter, not a military concern.

Nov. 17. The President says he has "absolutely no plans" to continue US arms shipments to Iran, that he is "not firing anybody"; White House says 1/17/86 intelligence finding authorizing NSC to establish secret contacts with Iran and arrange for the transfer of arms is technically still in effect; at a meeting of former hostages with Anglican Church envoy Terry Waite, former hostage Benjamin Weir says "I would myself be deeply disturbed that my release had been contingent upon what might appear to be a further escalation of the conflict between Iran and Iraq."

Nov. 18. It is reported that Secretary Shultz asked the President 11/14 for a firm commitment not to provide more military equipment to Iran and to channel diplomatic contacts through the State Department.

Nov. 19. President Reagan holds a news conference at the White House. He says: "I understand this decision is deeply controversial and some profoundly disagree with what was done. Even some who support our secret initiative believe it was a mistake to send any weapons to Iran. I understand and I respect those views. But I deeply believe in the correctness of my decision. I was convinced then, and I am convinced now, that while the risks were great, so, too, was the potential reward. . . .

"To eliminate the widespread but mistaken perception that we have been exchanging arms for hostages, I have directed that no further sales of arms of any kind be sent to Iran. I have further directed that all information relating to our initiative be provided to the appropriate members of Congress. There may be some

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questions which, for reasons of national security or to protect the safety of our hostages, I will be unable to answer publicly. But again all information will be provided to the appropriate members of Congress. . . .

"We, as I say, have nothing to do with other countries or their shipment of arms or doing what they're doing. And no, as a matter of fact, the first ideas about the need to restore relations between Iran and the United States or the Western world, for that matter, actually began before your Administration was here. . . .

"I don't think a mistake was made. It was a high-risk gamble and it was a gamble that was, as I've said, I believe the circumstances warranted. And I don't see that it has been a fiasco or a great failure of any kind. We still have those contacts, we still have made some ground, we got our hostages back—three of them. So I think that what we did was right, and we're going to continue on this path."

In an interview with *The Washington Post,* Robert McFarlane says it was a "mistake" to introduce "any element of arms transfers" into the Iranian contacts; Donald Regan, in reaction, reportedly says, "Let's not forget whose idea this was. It was Bud's [McFarlane's] idea. When you give lousy advice you get lousy results."

Nov. 20. McFarlane says Shultz was fully informed of Iran operation, "I told him repeatedly and often of every item that went on in this enterprise."

Nov. 21. Secretary Shultz, in Ottawa, says he took part in 2 "full-scale discussions" with the President before decision to sell arms to Iran was cleared; Shultz aide later says meetings took place 12/6/85, 1/7/86. Members of Congress are formally briefed for the first time on Iran program in closed-door hearings of the House and Senate Select Committees on Intelligence; Rep. James C. Wright, Jr., (D-Tex.) tells reporters afterward that Iran had paid $12 million for antitank missiles and that the money had been deposited in a Swiss bank account.

Nov. 24. President Reagan meets with top advisers to review Iran crisis. Asked about rumors that Secretary Shultz might resign or be dismissed, the President says, "I'm not firing anybody." Deputy Secretary of State John C. Whitehead tells House Foreign Affairs Committee that "I don't like to differ with my President, but I believe there is some evidence of continued Iranian involvement with terrorists"; says that White House ought to "undo the damage quickly" and that the State Department still lacks basic information about NSC's Iran dealings. Reagan says he still has no plans to apologize.

Nov. 25. In a televised press conference, Reagan says he was "not fully informed of one of the activities undertaken" in connection with arms shipments to Iran; announces reassignment of Oliver North and resignation of John Poindexter; says Justice Department will conduct investigation; announces appointment of special board to review the role and procedures of the NSC; Attorney General Edwin Meese 3d reveals that $10–30 million in payments made by Iran for US arms in 1986 were diverted by North to rebels fighting Nicaraguan government; Meese says only US government person who had precise knowledge of the funds transfer was North, says President only knew of 8/85–9/85 Israeli arms transfers to Iran "after the fact." In its first official comments on affair, Israel says it transferred weapons to Iran only at US request and that it had no knowledge of the funds transfer to Nicaraguan rebels; United Nicaraguan Opposition leaders say they have no knowledge of any transfer of funds.

Congressional reaction includes Senator Byrd's comment that "It was a shocking revelation, and it further shows up the chaotic state of our foreign policy"; Senator Robert J. Dole (R-Kans.) describes it as a "bizarre twist"; Senator Dave Durenberger (R-Minn.) says "it will be a cold day in Washington before any more money goes into Nicaragua." Doubts are expressed that the transfer of funds was the work of only Lieut. Col. North.

Nov. 26. President Reagan names former Senator John G. Tower, former National Security Adviser Brent Scowcroft and former Secretary of State Edmund S. Muskie to special panel to examine the NSC; Justice Department announces it will conduct full-scale inquiry into NSC conduct.

Nov. 27. Administration sources say North destroyed documents from NSC files over 11/22–11/23 weekend despite Meese investigation into Iran arms deal; North tries to enter White House grounds but is turned away because his name is on a "do-not-admit list"; Oregon businessman Richard J. Brenneke says he informed a senior military assistant to Vice President George Bush early in 1986 of possible

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diversion by Defense Department of profits from arms sales to Iran to Nicaraguan rebels.

Nov. 30. In an interview published in *Time* magazine, Reagan calls North a "national hero" and says that his only criticism is "I wasn't told everything." He says the criticism of his policy left "bitter bile in my throat," and that "I've never seen the sharks circling like they are now with blood in the water." He says that the Iranians had approached the US, and were asked to show their "good faith" by releasing hostages: "We got 3 people back. We were expecting any day to get 2 others." He concludes, "I'm not going to back off . . . . "; CBS News/*New York Times* conducts poll (published 12/2) showing Reagan's overall public approval rating has fallen in one month from 67% to 46%.

Dec. 1. North, invoking the Fifth Amendment, reportedly refuses to answer questions in closed hearing before the Senate Intelligence Committee; reports for active marine duty. McFarlane, contradicting Administration statements, reportedly tells committee that Reagan gave advance approval of Israeli shipments of US arms to Iran. Reagan says he will welcome an independent counsel investigation into Iran arms deal if Justice Department recommends one.

Dec. 2. Reagan announces he is requesting an independent counsel to investigate Iran affair; announces appointment of former CIA Deputy Director Frank C. Carlucci as national security adviser.

Dec. 3. Vice President Bush, speaking before the American Enterprise Institute in Washington, makes his first detailed comments on the Iran affair, saying that he did not know of the transfer of Iran arms sales profits to Nicaraguan rebels, that "clearly mistakes were made," but that the policy of conducting a dialogue with Iran was "legitimate and arguable . . . . " Vice Adm. Poindexter appears before the Senate Intelligence Committee and invokes the Fifth Amendment.

Dec. 5. Credit Suisse Bank, at US request, puts 2 accounts believed to have been used to divert funds from Iranian arms sales to Nicaraguan rebels under "heightened surveillance"; accounts frozen 12/15 in response to a US Justice Department request.

Dec. 6. President Reagan, in weekly radio address, says Iran initiative was "flawed" and "mistakes were made." He says he is "deeply disappointed" that a controversy was created and he "regretted" the public concern. Administration sources reveal that oil-rich Brunei, at US request, deposited several million dollars into a Swiss bank account controlled by North as a donation to Nicaraguan rebels.

Dec. 8. Secretary Shultz testifies before the House Foreign Affairs Committee that he "knew that arms transfers to Iran were periodically considered after June 1985. . . . There was considerable discussion between Mr. McFarlane and I about that and at least on one occasion that I distinctly recall, with the President. . . . I learned in various ways of two proposed transfers during 1985, but I was never informed and had the impression that they were not consummated."

Shultz testifies that in 12/85 instructions were issued that American negotiators would tell their Iranian interlocutors that if they released American hostages the US would engage in a dialogue but not sell weapons. Also says that he did not learn of arms transfers in a direct way, but that "you have bits and pieces of evidence float in and so I weighed in on the basis of that . . . . " The secretary reveals that he had learned for the first time that US Ambassador to Lebanon John H. Kelley had used a "back channel" to communicate directly with Poindexter on arms sales to Iran and negotiations for the release of US hostages. Robert McFarlane testifies before House Foreign Affairs Committee that the President had given verbal authorization for the "indirect" shipment of arms to Iran through Israel in 8/85, prior to the event.

Dec. 9. Poindexter and North invoke Fifth Amendment again in separate hearings before Congress; former Air Force Maj. Gen. Richard V. Secord reportedly pleads the Fifth in closed hearing of the Senate Intelligence Committee. Administration officials reportedly disclose that CIA Director William J. Casey learned about the diversion of profits from arms sales to Iran to Nicaraguan rebels from subordinates a month before it was uncovered in Meese's informal investigation.

Dec. 10. Casey testifies before closed hearing of House Foreign Affairs Committee that he learned of the diversion of funds from Iran arms sales from Roy M. Furmark, a business acquaintance, 10/7 and that he reported it to Poindexter, but did not know "with finality" until told by Meese 11/24; following testimony, ranking

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Republican Congressman William Broomfield of Michigan says CIA officials had made "serious errors of judgment." Shultz, in Brussels, seeks to reassure NATO allies that the crisis is "an absolutely total contrast to Watergate . . . . "

DEC. 12. Senator Dole, in a letter to *The Washington Post*, proposes that Poindexter, North "go to the President and tell him everything." Canada announces investigation of alleged Canadian involvement in financing some shipments of US arms to Iran.

DEC. 15. Casey is hospitalized after suffering a cerebral seizure while conferring with aides; suffers second seizure in hospital; 12/16 testimony before Senate Intelligence Committee postponed.

DEC. 16. Donald Regan testifies before the Senate Intelligence Committee, reportedly says that the President was the victim of poor advice, asserts that Reagan initially rejected selling arms to Iran through Israel but was persuaded to accept plan after Israel went ahead and shipped arms anyway; North's former supervisor on the NSC, senior director of political and military affairs Howard J. Teicher, resigns for "personal reasons." President urges Senate Intelligence Committee to grant "use immunity" to Poindexter and North "in order that the whole truth—all the facts on Iran—may be told"; incoming committee chairman David Boren (D-Okla.) says it would be "premature" to grant such immunity before the appointment of an independent counsel.

Senate leadership announces composition of new 11-member select committee to investigate the Iran/contra affair, chaired by Senator Daniel Inouye (D-Ha.); other members are Senators Boren, Heflin, Mitchell, Nunn, Sarbanes, Cohen, Hatch, McClure, Rudman, Trible.

DEC. 17. House of Representatives names 15-member committee chaired by Lee Hamilton (D-Ind.) to investigate the Iranian arms affair; other members are Aspin, Boland, Brooks, Fascell, Foley, Jenkins, Rodino, Stokes, Broomfield, Cheney, Courter, DeWine, Hyde, McCollum.

Secretary Shultz releases text of a telegram to all ambassadors, instructing them to report through him unless otherwise authorized by the President. Secretary of Defense Caspar Weinberger and Attorney General Meese testify before the Senate Intelligence Committee. Law enforcement officials announce that the FBI has begun an investigation into why Meese 10/30 ordered the FBI to postpone an inquiry into allegations of illegal arms shipments to Nicaraguan rebels; Meese, after testimony, says he has uncovered nothing new to contradict his 11/25 assertion that Poindexter and North were the only government officials aware of the diversion of profits from Iran sales.

White House announces that the President will undergo minor prostate surgery on January 5.

DEC. 18. Casey undergoes surgery at Georgetown University Hospital for removal of a cancerous brain tumor. In separate testimony before House and Senate Intelligence Committees, McFarlane and Regan stick to contradictory statements about when Reagan approved Israel's sale of US arms to Iran.

DEC. 19. Lawrence E. Walsh, former president of the American Bar Association and former Manhattan federal judge, is appointed independent counsel in charge of the Iran arms sale and diversion investigation, and given wide authority. Vice President Bush calls on North and Poindexter to "tell us the truth," and testify without a grant of immunity.

DEC. 20. Senator Dole quotes the President as telling him that "People like me, but they don't believe me" in the Iran/contra affair.

DEC. 22. It is reported that the President weighed granting pardons to North and Poindexter earlier in the week, but rejected the idea. White House spokesman Larry Speakes says the President decided to urge Congress to grant limited immunity to the 2 men.

DEC. 23. The President urges the Senate Intelligence Committee to release a preliminary version of its findings on the Iran/contra affair so that the American people can "judge for themselves"; Senator Leahy indicates the committee will reject President's request.

DEC. 26. White House announces appointment of former Ambassador to NATO David M. Abshire as special adviser to the President for coordinating various responses to the Iran/contra affair.

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UNITED STATES
(See also country, regional and topic entries)

JAN. 12. US space shuttle *Columbia* is launched after a record 7 postponements; returns safely 1/18.

JAN. 15. Office of Management and Budget and Congressional Budget Office certify that 1986 federal budget deficit will be approximately $48 billion over deficit target of $171.9 billion established by Gramm-Rudman budget-balancing law; announcement triggers OMB order to federal agencies to prepare $11.7 billion in spending cuts, effective 3/1; General Accounting Office 1/20 submits to White House detailed list of mandatory cuts based on OMB/CBO report.

JAN. 24. US spacecraft *Voyager* makes its closest approach to Uranus, discovering new moons and rings around the planet.

JAN. 28. US space shuttle *Challenger,* on 25th shuttle mission, explodes 74 seconds after lift-off, killing all 7 crew members on board: Francis R. Scobee, Michael J. Smith, Judith A. Resnik, Ellison S. Onizuka, Ronald E. McNair, Gregory B. Jarvis and Sharon Christa McAuliffe; President Ronald Reagan postpones State of the Union address scheduled for that evening; NASA immediately grounds 3 remaining shuttles and names an interim review panel pending appointment of a formal investigating board.

FEB. 1. Pentagon advisory panel announces its recommendation for the full-scale development of the Midgetman missile, a small, mobile, single-warhead missile that would be less vulnerable to attack than the MX.

FEB. 3. Reagan appoints 12-member presidential commission, headed by William P. Rogers and Neil A. Armstrong, to investigate *Challenger* crash; nominates James C. Fletcher to replace James Beggs as head of NASA 3/6.

FEB. 4. Trial opens in Alexandria, Va., of Larry Wu-Tai Chin, retired CIA analyst charged with spying for China; Chin found guilty 2/7 on all 17 counts of indictment, making him the first American ever convicted of spying for China; found dead 2/21 in prison cell in suburban Virgina from apparent suicide.

— Reagan delivers State of the Union address, which emphasizes the need to strengthen traditional family values and reduce government spending.

FEB. 5. Reagan submits to Congress his proposed federal budget for FY1987; in keeping with Gramm-Rudman, it limits federal deficit to under $144 billion; $994-billion budget substantially increases spending for defense and foreign aid, reduces funds for discretionary domestic programs.

FEB. 19. Senate ratifies UN Convention on the Prevention and Punishment of the Crime of Genocide, after a delay of 37 years.

FEB. 28. Reagan's Blue Ribbon Commission on Defense Management, chaired by former Deputy Secretary of Defense David Packard, presents final report on reform of the US military; report recommends overhauling the military procurement system and strengthening the authority of the chairman of the Joint Chiefs of Staff; Reagan issues executive order calling for a reorganization of the military based on the commission's recommendations 4/2.

MAR. 1. First round of automatic spending cuts required by Gramm-Rudman law takes effect, reducing FY1986 spending by 4.3%; Congress ratifies $11.7 billion in cuts 7/17.

— Fourteen hundred participants in the "People Reaching Out for Peace" march set off from Los Angeles for Washington; plagued by lack of funds, trek collapses near Barstow, Calif., 3/14; group reorganizes as the "Great Peace March" and continues its trek; approximately 1,000 marchers arrive in Washington 11/14.

MAR. 14. In a major policy speech to Congress, Reagan says his Administration will oppose dictatorships of the right as well as the left, marking sharp turn away from past support for right-wing authoritarian regimes.

APR. 18. Titan 34-D rocket carrying a secret military payload, reported to be a reconnaissance satellite, explodes seconds after lift-off over Vandenberg Air Force Base, Calif.; accident is major setback for military launching of satellites and other payloads.

APR. 25. Reagan leaves Washington for 13-day trip to Asia for talks with Indonesian President Suharto and ASEAN foreign ministers in Bali and for annual

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economic summit with the heads of industrialized nations in Tokyo; Reagan returns to Washington 5/7, ending longest trip of his presidency.

MAY 2. Senate, 70–25, approves $1-trillion budget for 1987 that reduces Reagan's request for defense funds by $19 billion; House, 245–179, passes $994-billion budget with even lower defense outlays 5/15; Reagan 5/15 criticizes House budget as a "breach of faith with our common duty to protect the nation."

MAY 3. Delta rocket carrying a weather satellite fails to maintain power at lift-off and is destroyed by controllers on the ground, in third consecutive failure of a major US space mission in 14 weeks.

MAY 25. Approximately 6-million people, including the Reagans, hold hands across America to raise money for combating hunger and homelessness in the US.

JUNE 4. Jonathan Jay Pollard, former US naval intelligence officer, pleads guilty to selling classified documents to Israel; wife, Anne Henderson Pollard, pleads guilty to lesser charges.

JUNE 9. Presidential Commission on the Space Shuttle Challenger Accident presents final report; asserts that the disaster was caused by failure of a single solid-fuel booster rocket seal and that a history of engineering and managerial mistakes made the accident more likely.

JUNE 17. Reagan announces retirement of Chief Justice Warren E. Burger and his intention to nominate Associate Justice William Hubbs Rehnquist to replace him and to nominate Judge Antonin Scalia of the US Court of Appeals to the Supreme Court; Senate Judiciary Committee holds hearings on Rehnquist nomination 7/29–8/1 and on Scalia 8/5–8/6.

JUNE 26. House, 333–43, approves compromise federal FY1987 budget of almost $1 trillion, following House-Senate conference committee approval of budget; Senate approves budget 6/27; budget cuts Reagan's defense spending priorities by $28 billion, leaving outlays for defense just above the 1986 level.

JULY 3. Reagan and French President François Mitterrand preside over opening ceremonies in New York honoring the Statue of Liberty's 100th birthday and the 210th anniversary of American independence.

JULY 7. Supreme Court, 7–2, strikes down as unconstitutional a key provision of the Gramm-Rudman law that imposes automatic budget cuts, arguing that it compromises presidential authority to execute the laws.

JULY 8. Adm. Hyman George Rickover, "father of the nuclear navy," dies at age 86 in Arlington, Va.; he was the longest serving officer in US history, having served for 63 years.

JULY 17. Senate, 87–10, ratifies extradition treaty with Britain that will ease extradition of suspected Provisional Irish Republican Army terrorists from the US.

AUG. 9. Senate approves authorization bill for 1987 defense budget of $295 billion, $25.3 billion below Reagan request; House approves 1987 defense authorization bill of $286 billion 8/15; Reagan, in 8/16 radio address, calls House version a "reckless assault on the national defense of the United States."

AUG. 15. Reagan orders NASA to build a replacement shuttle for *Challenger* and to quit the business of launching commercial satellites for private companies.

AUG. 16. House, Senate negotiators approve compromise tax revision bill that will lower top individual tax rate from 50% to 28%, top corporate rate from 46% to 34%, and will reduce or eliminate many reductions and other tax preferences; House, 292–136, approves final version of the bill 9/25; Senate, 74–23, approves final version 9/27; Reagan signs into law 10/22.

AUG. 25. *The Wall Street Journal* cites unidentified senior Administration officials who assert that the US and Libya's Muammar al-Qaddafi are "on a collision course"; report sparks widespread speculation of a second US attack on Libya but is later considered part of US Administration campaign of "disinformation" to destabilize Qaddafi.

SEPT. 16. Forty-first session of UN General Assembly opens in New York; Bangladesh Foreign Minister Humayun Rashid Chowdhury is elected assembly president, replacing Jaime de Pinies of Spain.

SEPT. 17. Senate, 65–33, confirms William Rehnquist as 16th chief justice of the Supreme Court; unanimously confirms Antonin Scalia as associate Supreme Court judge; Rehnquist and Scalia sworn in 9/26.

OCT. 2. *The Washington Post* reports that Reagan Administration has leaked "disinformation" about its policy toward Libya to the U.S. and foreign press in

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order to make Qaddafi believe that Libya was about to be attacked again by the US or that he was about to be overthrown in a coup; *Post* reports that strategy was first outlined by National Security Adviser John M. Poindexter and approved 8/14 by Reagan during a National Security Planning Group meeting; Administration officials deny that the government had planted false information in the US press but admit that they want Qaddafi to believe his regime is in danger of collapse.

OCT. 8. Assistant Secretary of State for Public Affairs Bernard Kalb resigns in protest over alleged disinformation policy; Deputy Spokesman Charles Redman named to replace Kalb as assistant secretary 10/21.

OCT. 15. House of Representatives, 238–173, approves comprehensive immigration bill that prohibits the hiring of illegal aliens but offers legal status to those who had entered the country before 1/1/82 and allows foreign farm laborers who could prove they had worked in the US for at least 90 days for each of the last 3 years to gain legal status and eventually citizenship; Senate, 63–24, approves bill 10/17; Reagan signs 11/6.

OCT. 17. Congress passes comprehensive appropriations bill establishing FY1987 budget of $576 billion; new budget limits growth of federal spending to 1%, the smallest annual increase since 1965; budget appropriates $289.5 billion for defense; $13.37 billion in foreign aid, including $100 million for the anti-Sandinista guerrillas in Nicaragua and $200 million for the Philippines; and $1.7 billion for anti-narcotics programs; Reagan signs into law 10/18.

— Congress passes deficit reconciliation bill so that FY1987 budget deficit falls under $154 billion ceiling set by Gramm-Rudman law; $11.7 billion in cuts made largely through accounting procedures; Reagan signs bill into law 10/22.

NOV. 4. In midterm elections Democrats win control of the US Senate with 55 seats to the Republicans' 45; Republicans pick up 8 governorships, for a total of 24; Democrats maintain control of the House of Representatives, 258–177.

NOV. 14. Securities and Exchange Commission announces that Ivan F. Boesky, Wall Street arbitrager, has agreed to plead guilty to one criminal charge and pay a $100-million fine for illegal insider trading; SEC announces that he is barred for life from the American securities industry; Justice Department issues subpoenas to Wall Street investment bankers and traders.

DEC. 4. Chief White House spokesman Larry Speakes announces his intent to leave his job and work for Merrill Lynch & Co., the investment firm, as a senior vice president for communications.

DEC. 12. N Reactor at the Hanford nuclear reservation in Richland, Wash., similar in design to the Soviet reactor at Chernobyl and a "key source" of plutonium for US atomic weapons, is "temporarily" shut down for safety improvements.

DEC. 14. Experimental plane *Voyager* takes off from Edwards Air Force Base, Calif., on an attempt to fly around the world without stopping or refueling; plane lands 12/23 after successfully flying the globe non-stop in 9 days, 3 minutes, 44 seconds.

THE UNITED STATES AND THE WORLD ECONOMY

JAN. 8. Year-long Market-Oriented, Sector-Specific (MOSS) talks between US and Japan on 4 product areas end, with greatest progress achieved in telecommunications; Secretary of State George P. Shultz, Japanese Foreign Minister Shintaro Abe issue joint agreement to continue talks and add new sectors 1/10.

JAN. 19. Senior economic officials from Group of Five (US, UK, France, Japan, West Germany), ending 2-day meeting in London, agree to lower interest rates worldwide, but stop short of committing themselves to any formal plan to lower interest rates; all Group of Five nations except the UK lower key interest rates 3/6–3/7; US Federal Reserve 3/7 lowers discount rate from 7.5% to 7%.

JAN. 28. British Prime Minister Margaret Thatcher rejects OPEC calls for cuts in North Sea oil production; meeting of OPEC ministers in Vienna adjourns without agreement on how to shore up prices 2/4.

FEB. 13. Japan announces extension for a 6th year of voluntary curbs on auto exports to US, which expire 3/31.

MAR. 13. Reagan nominates former New York State Congressman Barber Ben-

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jamin Conable, Jr., to replace outgoing A. W. Clausen as president of the World Bank.

MAR. 17. US dollar drops to post-World War II low against the Japanese yen, falling to 174.5 yen to the dollar; Japanese central bank intervenes in foreign exchange markets to slow the rapid rise of the yen.

MAR. 24. Nine-day meeting of OPEC ministers in Geneva ends after group fails to approve Indonesian plan to reduce OPEC oil output to 14-million barrels a day; price of West Texas Intermediate crude falls to $11 per barrel before closing at $12.13.

MAR. 27. International Monetary Fund announces creation of a $3-billion pool of economic adjustment loans for world's 60 poorest countries; loans, to be jointly administered by IMF and World Bank, will require interest payments of only 0.5% on outstanding balances, with repayment in the sixth through tenth years after the loans are made.

APR. 1. Vice President George Bush says that in an upcoming visit to Saudi Arabia, he will stress the importance of stability in world oil prices; in meetings with US businessmen and with King Fahd in Saudi Arabia on 4/6, Bush voices concern about falling oil prices and argues for stability; comments cause confusion over Reagan Administration policies on oil and the free market; Reagan supports Bush comments 4/9.

APR. 7. US Trade Representative Clayton Yeutter announces program to thwart overseas copying of US copyrighted and patented materials by limiting trade preferences for developing countries that do not protect US intellectual property.

APR. 15. OPEC ministers meeting in Geneva reject Libyan appeal to impose oil embargo against the US for its air strikes against Libya, but 8 of the 13 members condemn the US action.

APR. 18. Federal Reserve cuts discount rate by 0.5% to 6.5% and again, 7/10, to 6.0%.

MAY 4–6. Twelth annual economic summit of leaders of 7 major industrial countries held in Tokyo; during welcoming ceremonies 5 homemade rockets are fired at but overshoot the state guest house; Tokyo authorities suspect Japan's largest radical group, Chukakuha (Middle Core Faction); participants 5/5 adopt joint statement condemning terrorism and singling out Libya by name; economic communiqué is issued 5/6 calling for greater economic cooperation, including the expansion of the so-called Group of Five to include Canada and Italy, thus becoming the Group of Seven.

MAY 22. Reagan imposes 35% import duty on Canadian cedar shakes and shingles, effective 6/5, that could cost Canada $60 million a year; Canadian House of Commons 5/23 calls for end to the duty; Prime Minister Brian Mulroney announces retaliatory measures on range of US imports 6/2.

— House of Representatives, 295–115, passes omnibus trade bill requiring the President to take stricter action against trading partners that subsidize exports or hinder US exports to their markets; Reagan terms bill "kamikaze legislation" 5/29.

JULY 1. US, European Community officials reach temporary agreement to forestall farm exports dispute; agreement allows Spain to retain higher tariffs on US corn and sorghum for 6 months but requires other EC countries to make up the difference in imports should US sales to Spain drop as a result.

JULY 22. Senate approves export enhancement program that would subsidize grain sales to the USSR and China in amendment to a bill authorizing a ten-year extension of Export-Import Bank; Australia, Canada, Argentina protest proposed amendment 7/24–7/29.

JULY 31. US, Japanese trade negotiators reach agreement in semiconductor dumping dispute that is predicted to increase US semiconductor sales in Japan by $2 billion a year; Japan pledges to open up semiconductor market to US producers and police "predatory" practices of Japanese manufacturers.

AUG. 1. Reagan announces compromise plan to subsidize up to 3.85 million metric tons of wheat exports to Soviet Union; US Administration 8/29 boosts subsidy to $15 per metric ton from $13; deadline for subsidized wheat sales passes without any Soviet purchases 9/30, as subsidized price is still above world market price.

— In Geneva 54 nations negotiate 5-year extension of the Multi-Fiber Arrange-

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ment framework; new arrangement expands coverage by adding nearly all natural fibers; US labor and industry groups denounce the extension.

AUG. 5. OPEC ministers announce agreement to cut OPEC crude oil production by over 3 million barrels a day, about 20%, effective 9/1 to 10/31; West Texas Intermediate spot price rises to $15.30 a barrel 8/7.

AUG. 6. House, 276–149, fails to override Reagan's veto of textile bill calling for strict limits on textile imports from 12, mostly Asian, countries.

AUG. 20. US Federal Reserve cuts discount rate from 6.0% to 5.5%.

SEPT. 15. Seventy-four of the 92 signatories to the General Agreement on Tariffs and Trade open conference in Punta del Este, Uruguay; participants agree 9/20 to agenda for eighth round of GATT negotiations.

SEPT. 25-OCT. 3. IMF, World Bank hold joint annual conference in Washington; World Bank 9/25 announces 14% increase in funding for the International Development Association, which lends to the poorest of Third World countries, for 1987–90.

OCT. 16. US Commerce Department imposes 15% tariff on $3 billion worth of Canadian construction lumber exported annually to the US; US, Canada agree 12/30 to set aside tariff and replace it with a 15% Canadian export tax effective 1/8/87.

OCT. 22. OPEC's fifth meeting of 1986 ends in Geneva with agreement to extend until end of year production-sharing controls, with daily OPEC production ceiling (excluding Iraq) to be increased slightly to 14.96 million barrels for November, 15.04 million for December.

OCT. 27. London's financial markets undergo "Big Bang" as massive deregulation takes effect; changes include move to make commissions on securities trades negotiable rather than fixed, other measures open up the London markets to foreign participation and competition.

OCT. 29. Sheik Ahmed Zaki Yamani, Saudi Arabia's oil minister for 24 years and chief architect of Saudi oil policy, is abruptly dismissed by King Fahd; Planning Minister Hisham Nazer is named Yamani's replacement.

OCT. 31. US Treasury Secretary James A. Baker 3d, Japanese Finance Minister Kiichi Miyazawa announce broad agreement on economic cooperation; Japan agrees to cut interest rates and taxes, to increase government spending; US agrees to stop driving dollar down against the yen, to continue seeking reductions in budget deficit; Japan's central bank cuts its discount rate by half a point, to 3%, lowest since World War II.

NOV. 14. Japan and US agree to restrict annual rate of growth of Japanese textile exports to US to 0.8%.

— Three-member OPEC pricing committee meeting in Quito, Equador, recommends that OPEC raise price of petroleum by $3, to $18 a barrel and return to a system of fixed prices, rather than production quotas.

DEC. 18. Michel Camdessus, head of the French government bank, is named managing director of the IMF, to replace Jacques de Larosière on 1/16/87 for a 5-year term.

DEC. 20. In Geneva, all OPEC countries except Iraq agree to cut oil production by over 7% for the first 6 months of 1987 in order to raise prices to $18 a barrel.

DEC. 26. Japan announces it will contribute $2 billion in loans and grants to the World Bank over 3 years beyond its regular annual contributions.

DEC. 30. US announces it will impose 200% import duty on European Community gin, brandy, white wine and some food products in response to high tariffs on US feed grains in Spain; EC says it will retalitate.

WESTERN EUROPE AND CANADA

JAN. 1. Spain, Portugal become 11th, 12th members of European Community after 8 years of negotiations.

JAN. 7. Drew Lewis, special presidential assistant on acid rain, presents joint US-Canadian report acknowledging that acid rain produced in US causes damage in Canada; report recommends 5-year, $5-billion effort to address problem.

JAN. 9. British Defense Secretary Michael Heseltine resigns in dispute over Westland helicopter affair, in which he backed sale of UK's only helicopter manufacturer

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to consortium of 5 European companies rather than Sikorsky (United Technologies)/Fiat; letter from British Aerospace chairman Sir Austin Pearce, one of the members of European consortium, to Prime Minister Margaret Thatcher is made public 1/15, deepening controversy surrounding Trade and Industry Secretary Leon Brittan's 1/13 denial of knowledge of letter; House of Commons debates affair 1/15; shareholders reject Sikorsky/Fiat rescue bid favored by Westland's board of directors 1/17; Brittan resigns 1/24 following disclosure that he had authorized 1/6 leaking of parts of confidential letter from Sir Patrick Mayhew, solicitor general, to Heseltine regarding the Westland case that had undermined Heseltine and led to his resignation; 1/27 emergency session of House of Commons debates Westland affair and government's behavior, Thatcher wins a vote of confidence, 379–219; Westland shareholders approve revised Sikorsky/Fiat rescue bid 2/12.

JAN. 17. Spain, Israel establish diplomatic ties; Spain simultaneously announces its determination to maintain "traditional policy of friendship and solidarity with the Arab world"; Kuwait recalls its ambassador in Madrid.

JAN. 20. Thatcher and French President François Mitterrand announce in Lille, France, plans for 30-mile rail tunnel under the English Channel; Mitterrand and Thatcher sign treaty authorizing construction of tunnel 2/12.

JAN. 23. Northern Ireland Democratic Union Party members are reelected to 14 of 15 House of Commons seats in by-elections after resigning earlier in protest over Anglo-Irish Accord.

JAN. 26. Founder of Portuguese Christian Democratic Party, Diogo Freitas do Amaral, takes commanding lead over former Prime Minister Mario Soares of the Socialist Party in first round of presidential elections; Soares narrowly wins 2/16 runoff election; formally sworn in 3/9 as Portugal's first civilian president in 60 years.

JAN. 28. European Community issues declaration condemning terrorism and agreeing to ban arms sales to countries that support terrorism.

FEB. 2. Women in Liechtenstein vote for the first time in parliamentary elections, helping to elect a conservative coalition to a 15-member parliament.

FEB. 3–5. Three bombs linked to Middle East terrorist organizations, including the Committee for Solidarity with Arab and Middle Eastern Political Prisoners, explode in three Paris locations, wounding 21.

FEB. 28. Swedish Prime Minister Olof Palme is assassinated by a lone gunman in Stockholm, the first European head of state to be assassinated while in office in 47 years; Deputy Prime Minister Ingvor Carlsson becomes acting prime minister; Carlsson unanimously elected by parliament 3/12 to succeed Palme.

— Mitterrand, West German Chancellor Helmut Kohl end 2-day summit with agreement to strengthen military cooperation.

MAR. 3. In Northern Ireland, Protestant unionists sponsor one-day general strike to protest Anglo-Irish Accord; strike paralyzes Ulster, generates violence.

MAR. 4. *The New York Times* reports that Kurt Waldheim, former secretary-general of the United Nations and current candidate for president of Austria, once belonged to Nazi organizations in Austria and was attached to a German army command in Salonika, Greece, that deported Jews and conducted brutal campaigns against partisans during World War II; Waldheim denies any involvement with Nazi atrocities.

MAR. 12. In national referendum Spaniards approve continued membership in NATO, with certain restrictions.

MAR. 15. Alliance of rightist candidates wins narrow majority of seats in French parliamentary elections over the ruling Socialist Party; Prime Minister Laurent Fabius resigns; Mitterrand asks longtime political rival Paris Mayor Jacques Chirac of the Rally for Republic party to form new government 3/18; Chirac formally assumes prime ministership 3/20, beginning "cohabitation" government of French left and right.

MAR. 16. Swiss voters reject by a 3–1 margin a referendum plan to join the United Nations.

MAR. 18–19. Reagan hosts Canadian Prime Minister Brian Mulroney for talks in Washington; Reagan formally endorses joint US-Canadian report on acid rain, both leaders sign 5-year extension of North American Aerospace Defense Command (NORAD) agreement 3/19.

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MAR. 27. West Germany, US sign agreement in Washington on private German participation in SDI research.

MAR. 29. Finding the evidence against them "ambiguous," Italian court acquits 3 Bulgarians, 3 Turks of conspiring to assassinate Pope John Paul II in 1981.

— An explosion in the German-Arab Friendship Society in West Berlin injures 9.

APR. 2. Bomb explodes aboard a Trans World Airlines jetliner en route between Rome and Athens, tearing a gaping hole in the fuselage; 4 American passengers are killed, including a grandmother, daughter and granddaughter; only announced suspect in the bombing, May Elias Mansur, holds press conference 4/5 in Tripoli, Lebanon, denies involvement in the bombing.

APR. 4. UN agrees to make available to Israel secret 1948 UN War Crimes Commission file on Waldheim; UN releases file to Israeli and Austrian authorities 4/9; provides US access to the file 4/11; in interview published 4/16 in *The New York Times*, Waldheim admits he had been aware of Nazi atrocities committed against Yugoslav partisans during his wartime service but says he will not withdraw his candidacy for Austrian presidency; after investigating UN file, head of the Justice Department's Office of Special Investigations 4/24 recommends Waldheim be barred from entering US.

APR. 5. Bomb explodes in West Berlin discotheque, La Belle Club, killing one American serviceman and a Turkish woman and injuring at least 155 others; US Ambassador to West Germany Richard Burt says 4/7 there are "clear indications" of Libyan involvement; Staff Sgt. James E. Goins dies 6/7 in West Berlin, third fatality of bombing.

APR. 6. European Community finance ministers agree during meeting in Ootmarsum, the Netherlands, to largest realignment of major European currencies since 1983; France devalues its currency by 3%, West Germany and the Netherlands revalue their currencies by 3%, Belgium, Luxembourg and Denmark revalue their currencies by 1%, for an overall 4.7% devaluation of the French franc against other currencies of the European Monetary System; within hours of EMS announcement, France unveils package of fiscal, monetary measures to encourage growth, reduce inflation.

APR. 10. British Labour Party candidate ousts ruling Conservative Party candidate in a parliamentary by-election in southwest London district of Fulham, first time in 29 years Labour gains a London seat from the Conservatives.

APR. 13. Pope John Paul II pays the first recorded papal visit to a Jewish synagogue, attending a special service in Rome's central synagogue.

APR. 17. Anne-Marie Murphy is intercepted before boarding an El Al plane in London's Heathrow airport with luggage containing a bomb timed to explode while plane was in flight to Tel Aviv; her fiancé, Nezar Nawaf Mansour Hindawi, is arrested 4/18 on suspicion of planting the bomb; Ahmed Nawaf Mansour Hazi, suspect's brother, is arrested 4/21 on suspicion of involvement in the West Berlin disco bombing.

APR. 18. Five Libyans are arrested in Ankara, Turkey, for plotting to blow up a US officers' club in Ankara; 2 are convicted 6/6 of possession of explosives but acquited of conspiring to commit murder; 3 other Libyans, diplomats, are not convicted due to diplomatic immunity.

APR. 24. Wallis Warfield Simpson, Duchess of Windsor, dies in Paris at the age of 89.

APR. 30. Norwegian minority coalition government of Prime Minister Kåre Willoch collapses after he fails to win a vote of confidence in parliament; King Olav V 5/2 invites Labor Party leader Gro Harlem Brundtland to form new government.

MAY 4. Independent candidate Kurt Waldheim wins a 49.6% plurality in Austria's presidential election, emerging strong favorite for runoff election against Kurt Steyrer of the Socialist Party; Waldheim wins runoff election with 53.9% of the vote 6/8; acknowledging that election is a severe political setback for his Socialist Party, Chancellor Fred Sinowatz resigns and his party colleague Franz Vranitzky is named successor 6/9; Waldheim sworn in for a 6-year term 7/8.

MAY 10. Britain expels 3 Syrian diplomats under investigation for possible involvement in terrorist activities after Syria refuses to waive diplomatic immunity for the 3; in retaliation, Syria expels 3 British diplomats from Damascus 5/11.

MAY 12. European Community temporarily bans import of selected foods, live-

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stock from Eastern Europe (excluding East Germany) because of radiation emissions from the Chernobyl nuclear accident; adopts permanent standards for acceptable levels of radiation in agricultural produce 5/29.

MAY 21. Center-right coalition headed by Dutch Prime Minister Ruud Lubbers defeats opposition Labor Party in parliamentary elections, retaining 81 seats in the 150-seat lower house.

MAY 30. French Ariane-2 rocket carrying $50-million telecommunications satellite fails and is blown up 125 miles above the earth; failure effectively grounds Western nations' ability to launch satellites, as Arianespace temporarily suspends its launchings.

JUNE 10. Patrick J. Magee is found guilty of planting 10/84 bomb at the Grand Hotel in Brighton, England, that was intended to kill Prime Minister Thatcher and cabinet; with 4 codefendants, is found guilty of planning a "bomb calendar" for summer 1985 in which 16 bombs were to go off on consecutive days in London and British seaside resorts.

JUNE 12. British government dissolves 4-year-old Northern Ireland Assembly at Stormont, which had been boycotted by Roman Catholic and moderate Protestant groups.

JUNE 18. Trial for 15 men charged with participation in 10/7/85 *Achille Lauro* hijacking begins in Genoa, Italy, with 10 tried in absentia; jury convicts 11 of 15 in hijacking, imposes life sentences in absentia on Mohammed Abbas and 2 associates 7/10.

JUNE 22. Spanish Premier Felipe Gonzalez wins another term as his Socialist Workers' Party gains 184 seats in national elections for the 350-seat Congress of Deputies.

JUNE 26. Bomb explodes at El Al counter at Madrid international airport, wounding 12; Palestinian Nasser Hassan el-Ali, traveling under a false Syrian passport, is arrested 6/27, confesses to planting the bomb in suitcase of small-time thief, Manuel Jalafe, who thought he was being paid to transport drugs.

JUNE 27. Italian Prime Minister Bettino Craxi resigns after members of his 5-party coalition fail 6/26 to unite to win a majority in a Chamber of Deputies vote on a local finance bill; President Francesco Cossiga asks Giulio Andreotti of the Christian Democratic Party to form new government 7/10; Cossiga 7/21 asks Socialist leader Craxi to form new government after Andreotti fails to gain Socialist Party support; Craxi is sworn in 8/1 as prime minister after agreeing with Social Democratic leaders that he will resign in 3/87.

JUNE 30. Eighteen European countries expand their cooperative high-tech research program, Eureka, by adding 62 new joint projects budgeted at approximately $2 billion; Iceland joins group, but Yugoslavia's application is rejected.

JULY 2. Turkish Prime Minister Turgut Özal visits internationally boycotted Turkish Republic of Northern Cyprus, becoming first Turkish head of state to visit the breakaway nation; Northern Cyprus President Rauf Denktash orders all crossing points between Turkish-held and Greek Cyprus closed 7/4, separating 2 battalions of UN peacekeeping forces from main UN force and preventing foreign diplomats from crossing into the Turkish zone; blockade ends 7/12.

JULY 7. In UN-mediated agreement, France and New Zealand end dispute over 7/85 bombing of Greenpeace ship *Rainbow Warrior*; New Zealand agrees to release French agents Maj. Alain Mafart, Capt. Dominique Prieur into French custody on remote Pacific atoll of Hao, where they must remain for 3 years; France agrees to pay $7 million in compensation, to issue a formal apology to the New Zealand government, to stop blocking the sale of New Zealand butter and meat to Europe.

JULY 15. During 4-day visit to Great Britain, Soviet Foreign Minister Eduard A. Shevardnadze signs agreement with British Foreign Secretary Sir Geoffrey Howe, ending 69-year dispute over Russian foreign debt of the Tsar Nicholas II's regime and repudiated by the Soviet government in 1917; both sides agree essentially to drop claims against the other.

AUG. 11. One hundred and fifty-five Sri Lankan Tamils are rescued by Canadian fishing boats off Newfoundland coast; refugees claim to have come from India after escaping persecution from Sinhalese Buddhists; investigators find that refugees came from West Germany.

SEPT. 6. Two Arab terrorists posing as photographers kill 21 Jewish worshippers,

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including 7 rabbis, in the Neve Shalom synagogue in Istanbul, Turkey; both terrorists die in the attack.

SEPT. 8–17. Spate of 5 bomb attacks, all attributed to the Committee for Solidarity with Arab and Middle Eastern Political Prisoners, strikes Paris, killing 11 persons and wounding approximately 170; Prime Minister Chirac announces anti-terrorist measures 9/14, including a requirement for all foreigners except Swiss, citizens of the European Community to obtain visas before entering France.

SEPT. 19. Italy formally agrees to participate in SDI, becoming fourth US ally to join the program.

SEPT. 23. During Liberal Party conference in Eastborne delegates endorse a non-nuclear defense policy for Britain when Britain's nuclear Polaris submarine becomes obsolete in the 1990s; at Labour Party conference in Blackpool delegates 10/2 overwhelmingly approve a resolution calling for the abolition of Britain's independent nuclear deterrent and removal of all US nuclear weapons from British soil; in 10/10 concluding remarks at the Conservative Party conference in Bournemouth, Prime Minister Thatcher reasserts her party's commitment to an independent nuclear deterrent and the maintenance of US nuclear forces in Britain.

OCT. 6. Trial opens in London for Nezar Hindawi, charged in 4/17 attempt to bomb El Al jet; Hindawi convicted and sentenced to 45 years' imprisonment 10/24.

OCT. 14. Belgium Prime Minister Wilfried Martens offers his resignation to King Baudouin in wake of failure to settle language controversy that split his coalition of French and Flemish speakers; king rejects resignation 10/17; parliament 10/18 declines to hold a no-confidence vote.

— Norwegian Nobel Committee in Oslo names Elie Wiesel, writer and Nazi death camp survivor, winner of 1986 Nobel Peace Prize; formally accepts award 12/10.

OCT. 19. In runoff mayorial elections, ruling Panhellenic Socialist Movement's candidates lose to conservative challengers in 3 of Greece's 4 largest cities (Athens, Salonika and Piraeus); Prime Minister Andreas Papandreou reshuffles cabinet 10/30.

OCT. 20. William Quinn, an American accused by British authorities of a 1975 murder, membership in the IRA, is extradicted to Britain, ending his 5-year battle to avoid extradiction.

OCT. 24. Following conviction of Nezar Hindawi, Britain severs diplomatic relations with Syria, charging official Syrian complicity in attempted El Al bombing; US and Canada announce intent to withdraw their ambassadors from Damascus to show support for British move; Damascus responds by cutting diplomatic ties with Britain, ordering all British diplomats out of Syria; European Community members resist British appeal to enact strict sanctions against Syria 10/27.

OCT. 27. Pope John Paul II leads day of prayer in Assisi, Italy, with leaders of 12 world religions, including Archbishop of Canterbury, Dalai Lama; guerrilla fighters and belligerents in at least 11 countries reportedly observe 24-hour cease-fire in response to pope's call for a one-day global peace.

NOV. 1. Fire breaks out at the Sandoz chemical warehouse near Basel, Switzerland; water used to fight fire washes into River Rhine, washing approximately 30 tons of toxic waste into river and causing the worst non-nuclear environmental damage in Europe in over a decade; Swiss government formally accepts responsibility, offers to compensate other affected countries 11/12.

NOV. 2. During annual convention of Sinn Fein, the political wing of the IRA, delegates approve a resolution to end the party's boycott of the Irish Dail (parliament).

NOV. 9. Sea Shepherd Conservation Society saboteurs sink 2 Icelandic whaling ships in Reykjavik and destroy Iceland's only whale oil processing plant to protest Iceland's possible violation of a commercial whaling moratorium decreed by the International Whaling Commission.

NOV. 10. All of Britain's Economic Community partners except Greece agree to a package of sanctions against Syria, including the banning of all new arms sales; US announces economic sanctions against Syria 11/14.

NOV. 23. In Austrian parliamentary elections, the 2 leading parties, the Socialist Party and the Austrian People's Party, suffer sharp defeats at the polls, with the Socialists losing 10 seats and the People's Party losing 4 in the 183-seat National Council.

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— Thousands of students and teachers march in Paris to protest new education legislation that would stiffen entrance requirements to universities and raise fees; protests spread to 50 other cities, as more than 400,000 march nationwide 11/27; after continued protests, Ministry of Education agrees 12/5 to defer parts of the new legislation; student Malik Oussékine dies 12/6 after being beaten by police during a demonstration; Prime Minister Chirac announces 12/8 that his government will withdraw the education legislation; Chirac announces 12/9 that he will postpone legislative action on his political program.

Nov. 26. Ahmed Nawaf Mansour Hazi and Farouk Salameh are found guilty in West Berlin court in the 3/29 bombing of an Arab social club in West Berlin; court sentences Hazi to 14 years in prison, Salameh, 13 years, and implicates Syrian officials in the crime; West German government expels 3 Syrian diplomats and downgrades relations with Syria 11/27; Syria ousts 3 West German diplomats 11/28.

Dec. 5–6. European Community leaders meet in London, reach accord on counterterrorism and job-creation plans.

THE SOVIET UNION AND EASTERN EUROPE

Jan. 11. Polish authorities announce arrest of Solidarity leader Bogdan Borusewicz, who had been hiding from authorities since 1982 imposition of martial law.

Jan. 16. Congress of Intellectuals for a Peaceful Future of the World, attended by approximately 350 delegates from 47 countries, opens in Warsaw, Poland; 2 Solidarity activists are arrested during raid on a Warsaw apartment where members of dissident group Peace and Freedom are holding unsanctioned alternative gathering; congress ends 1/19.

Feb. 12. US extradites former official of Nazi-controlled state of Croatia, Andrija Artukovic, to Yugoslavia to face charges of murder, ending an extradition battle that began in 1953; Artukovic charged 2/15 with ordering the murders of 231,000; found guilty, sentenced to death 5/14.

Feb. 25. Twenty-seventh Congress of the Communist Party of the Soviet Union opens in Moscow; General Secretary Mikhail Gorbachev delivers 5-1/2-hour keynote address in which he calls for sweeping economic reforms; major membership changes in Central Committee confirmed and 10/85 draft of new 5-year economic plan formally adopted 3/5; congress adjourns 3/6.

Apr. 17–21. Eleventh Congress of the Socialist Party of East Germany held; Gorbachev addresses congress 4/18.

Apr. 26. Explosion at the No. 4 reactor at Chernobyl nuclear power plant, 60 miles north of Kiev, sets off a graphite fire in worst nuclear accident in history.

Apr. 28. Swedish government detects abnormal levels of radioactivity, demands explanation from Moscow; USSR first announces that an accident has occured at Chernobyl on evening television news program.

Apr. 29. Moscow requests assistance in fighting Chernobyl reactor fires from the West German and Swedish governments; Soviet authorities report that 2 people died while fighting initial fires; UPI news service reports 4/29 2,000 have been killed.

— Polish government bans sale of milk from grass-fed cows, restricts sale of fresh produce, requires children to take iodine as a preventative measure against thyroid cancer in wake of Chernobyl disaster.

Apr. 30. Soviet government says 197 people have been hospitalized in wake of Chernobyl accident; death toll rises to 3, 5/10.

May 14. Gorbachev ends his silence on Chernobyl with a 25-minute televised speech; proposes 4-point program to strengthen cooperation within the International Atomic Energy Agency, criticizes the West for an "unrestrained anti-Soviet campaign," extends Soviet moratorium on underground nuclear weapons testing until 8/6 anniversary of the 1945 bombing of Hiroshima; US welcomes 4-point proposal, rejects calls to join testing moratorium and a summit meeting restricted to nuclear testing issue.

May 29. Poland is admitted to International Monetary Fund.

May 31. Polish authorities arrest fugitive Solidarity leader, Zbigniew Bujak, in Warsaw.

June 5. Soviet health official puts death toll from Chernobyl accident at 26.

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JUNE 10–11. Warsaw Pact countries hold summit in Budapest; adopt proposals for reducing East-West military forces in Europe, including one calling for Warsaw Pact and NATO each to reduce conventional forces by 100,000, to 150,000 men, within 2 years; NATO secretary-general Lord Carrington expresses interest 6/11.

JUNE 15. *Pravda* reports that the director and chief engineer at Chernobyl have been dismissed for negligence in handling accident there; head of State Committee for Atomic Safety Yevgeny Kulov is fired 7/18; Kulov is expelled from the Communist Party, along with the head of the Soviet nuclear power industry Gennadi A. Veretennikov 8/14.

JUNE 29-JULY 3. Tenth Congress of the United Workers' Party of Poland held in Warsaw; in opening address 6/29, party leader Gen. Wojciech Jaruzelski holds out possibility of limited amnesty for political dissidents; Gorbachev makes speech to congress assailing US arms control policies 6/30.

JULY 24. Polish authorities announce limited amnesty program, release 369 criminal and political prisoners; Bogdan Lis, senior Solidarity activist, is released 7/31; Adam Michnik, Solidarity theorist, is released 8/11.

JULY 28. Gorbachev makes major foreign policy speech in Vladivostok, Soviet Asia; advocates closer ties with Asia-Pacific region, offers 5-point plan for regional cooperation; offers to withdraw 6 regiments of Soviet troops from Afghanistan; calls for closer ties with China.

AUG. 21. USSR releases 382-page report on Chernobyl accident; report concludes that accident was due mainly to human error during an unauthorized test, that health and environmental consequences will be felt for many years.

AUG. 25–29. Over 500 scientists from 50 countries attend International Atomic Energy Agency conference on Chernobyl in Vienna; Soviet chief delegate Valery A. Legasov says faulty design amplified technicians' blunders; Soviets put death toll at 31.

SEPT. 1. Soviet passenger ship *Admiral Nakhimov* and Soviet freighter *Pyotr Vasev* collide in the Black Sea; *Admiral Nakhimov* sinks; 398 passengers, crew drown.

SEPT. 11. Polish government announces it will release all of the country's 225 remaining political prisoners by 9/13; Zbigniew Bujak released 9/12; releases completed 9/15.

SEPT. 30. Bujak announces at a Warsaw press conference formation of a 7-member leadership body, the Provisional Council of Solidarity, to replace the formerly underground Solidarity leadership; Polish government spokesman Jerzy Urban declares the council illegal 10/3.

OCT. 3. Fire breaks out aboard a Soviet Yankee-class nuclear submarine in the Atlantic 480 miles east of Bermuda, killing 3 Soviet sailors; Gorbachev 10/4 sends private message to President Reagan regarding accident in advance of public announcement; submarine sinks while under tow about 600 miles east of Bermuda 10/6.

NOV. 8. Vyacheslav M. Molotov, close associate of Stalin and former top Soviet leader, dies at the age of 96 in Moscow.

NOV. 10. Gorbachev and leaders of 9 Soviet allied countries meet in Moscow for summit of Comecon trading bloc partners.

NOV. 19. Supreme Soviet approves legislation, to take effect 5/87, that will allow individual citizens to engage in private enterprise to manufacture some consumer goods and provide basic services.

DEC. 8. Soviet dissident Anatoly T. Marchenko dies in the Chistopol prison, where he was serving a 10-year sentence for "anti-Soviet agitation and propaganda," of an apparent heart attack.

DEC. 16. Politburo member and Kazakhstan party leader Dinmukhamed A. Kunayev, a Kazakh and close Brezhnev associate, loses regional party post to Gennadi Kolbin, an ethnic Russian.

DEC. 17–18. Several hundred students take part in anti-Russian rioting in Alma-Ata, the capital of Kazakhstan, to protest Kunayev ouster and appointment of Kolbin.

EAST-WEST RELATIONS

JAN. 1. President Ronald Reagan and Soviet leader Mikhail Gorbachev exchange New Year's greetings to the peoples of the USSR and the US in 2 televised, 5-minute statements.

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JAN. 13. Elena G. Bonner, Soviet dissident and wife of dissident physicist Andrei D. Sakharov, undergoes heart surgery in a Boston hospital; returns to the USSR 6/2.

JAN. 15. Gorbachev proposes a ban on all nuclear weapons by the year 2000, to be implemented in 3 stages; also extends Soviet moratorium on underground testing for 3 months.

JAN. 16. Fourth round of US-Soviet disarmament talks opens in Geneva; Gorbachev's 1/15 proposal for elimination of nuclear weapons by year 2000 formally presented.

FEB. 6. Senator Edward M. Kennedy (D-Mass.) meets with Gorbachev in Moscow to discuss disarmament, family reunification, human rights; Western observers note that in discussions with Kennedy, Gorbachev drops insistence that reductions in nuclear arsenals be preceded by an end to US SDI program.

FEB. 11. Soviet Jewish dissident Anatoly B. Shcharansky is freed in an East-West exchange for 9 prisoners on the Glienicke Bridge between East Germany and West Berlin; Shcharansky's mother, Ida P. Milgrom, and his brother and family leave Soviet Union for Israel 8/19.

FEB. 24. Reagan's plan for eliminating US and Soviet medium-range nuclear missiles over a 3-year period, his formal response to Gorbachev's 1/15 proposal to ban nuclear weapons by the year 2000, is presented by US negotiators at Geneva arms control talks; Reagan plan is modified version of his 1981 "zero-option" proposal; Gorbachev rebuffs Reagan proposal during 2/25 speech to 27th Soviet Party Congress; Geneva talks adjourn 3/4.

FEB. 28. Leaders of India, Sweden, Greece, Tanzania, Mexico, Argentina send letters to Reagan and Gorbachev asking them to halt underground nuclear testing until their next summit meeting and offering their assistance in verification at test sites.

MAR. 7. Reagan Administration orders the Soviet, Ukranian and Byelorussian missions to the United Nations in New York to reduce their staffs by more than a third, from 275 to 170, by 4/1/88; Moscow files diplomatic protest, warns that move could result in "direct damage" to US-USSR relations 3/11; Soviet Union 3/14 orders Michael Sellers, second secretary in the political division of US embassy in Moscow, to leave the country, accusing him of attempting to gather intelligence.

MAR. 10. John G. Tower, chief US arms negotiator in Geneva, announces his resignation; Reagan announces 3/14 that Tower's replacement will be Ronald F. Lehman, deputy assistant national security adviser.

MAR. 13. Gorbachev announces that USSR will continue indefinately its nuclear test moratorium if US also refrains from tests; Reagan 3/14 rejects moratorium, announces detailed proposal on improving verification of nuclear tests; TASS news agency 3/15 rejects Reagan response as "political maneuver aimed at evading a concrete answer."

MAR. 15. US Secretary of State George P. Shultz meets Soviet Prime Minister Nikolai I. Ryzhkov following funeral of Swedish Prime Minister Olof Palme to discuss progress in US-Soviet relations since 11/85 Geneva summit.

MAR. 22. US conducts first announced underground nuclear test of 1986 despite a 3/21 letter from over 60 members of Congress to President urging him to cancel test.

MAR. 29. Gorbachev calls on Reagan to join him in a meeting to discuss a ban on nuclear weapons tests; Reagan rejects the idea of a one-issue summit 3/30.

APR. 10. US conducts second announced nuclear test explosion of the year; TASS asserts 4/11 that the Soviet Union now considers itself free to resume nuclear testing.

APR. 15. USSR, reacting to US air strike against Libya, cancels scheduled mid-May visit by Soviet Foreign Minister Eduard A. Shevardnadze to Washington to plan for a 1986 summit.

APR. 17. Svetlana Alliluyeva, daughter of Joseph Stalin, arrives in Chicago from the Soviet Union, goes into isolation in undisclosed location; she had returned to the Soviet Union in 11/84 after 17 years in the West.

APR. 21. White House announces that Reagan intends to abide by limits set by unratified SALT II treaty by dismantling 2 Poseidon submarines before deploying new Trident submarine, the USS *Nevada*, in May.

APR. 28. Oleg A. Tumanov, Soviet defector and editor at the US radio station

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Radio Liberty in Munich, appears in Moscow after a 3-month disappearance, denounces the West.

APR. 29. Commercial US flights between US and USSR, halted in 1978, are reinaugurated with a Pan American World Airways flight from New York to Moscow.

MAY 8. Fifth round of US-USSR arms control talks begins in Geneva; Soviet negotiators present draft plan on eliminating medium-range nuclear weapons in Europe; American officials 5/15 characterize plan as basically a codification of earlier Soviet proposal for first stage in 3-stage elimination of nuclear weapons by year 2000; meeting adjourns 6/26.

— Shcharansky arrives in US for 12-day visit; delivers speech 5/11 before an estimated 300,000 in New York City at the Annual Solidarity Sunday for Soviet Jewry; meets Reagan in the White House 5/13.

MAY 20. Soviet Union announces appointment of Yuri V. Dubinin, current Soviet ambassador to the United Nations, as the new Soviet ambassador to the United States, succeeding Anatoly F. Dobrynin.

MAY 22. NATO defense ministers meeting in Brussels approve US plan to resume production of chemical weapons; US congressmen take issue with Reagan Administration position that the approval fulfills congressional requirements, threaten to hold up appropriation of funds for production.

MAY 26. East German border guards prevent Western diplomats from entering West Berlin from East Berlin when they fail to show passports, in a move regarded by Western authorities as an effort to create an international boundary out of the Berlin line; stricter passport measures announced 5/27; East Germany announces 6/8 it is dropping the passport requirement; begins 6/16 issuing new identity cards for diplomats traveling across the Berlin line.

MAY 27. Reagan announces decision to have 2 aging Poseidon submarines dismantled but asserts US is no longer bound by 1979 SALT II treaty in making future strategic weapons deployments; NATO foreign ministers, meeting in Halifax, Nova Scotia, criticize US announcement 5/29.

MAY 28. Moscow's Academy of Sciences and New York's Natural Resources Defense Council sign agreement to exchange staffs for monitoring underground nuclear testing; Council scientists 7/13 set up monitoring station at Karkaralinsk, Kazakhstan.

MAY 29. Soviet negotiators in Geneva offer arms reductions if US pledges to adhere to strict interpretation of 1972 ABM treaty for 15–20 years; US officials express interest, since offer does not seem to bar all SDI research; Soviet negotiators propose 6/11 that US would not be required to eliminate forward-based bombers or sea-launched nuclear cruise missiles.

JUNE 5. Federal jury in Baltimore finds former National Security Agency employee Ronald W. Pelton guilty of selling highly sensitive intelligence secrets to the USSR; sentences him to life imprisonment 12/16.

JUNE 19. Former FBI agent Richard W. Miller is convicted by federal district court jury on 6 counts of espionage for the USSR and bribery; sentenced 7/14 to 2 concurrent life terms and another 50 years.

JULY 18. Former President Richard M. Nixon, on private trip to the Soviet Union, meets Gorbachev in Moscow.

JULY 22. US, Soviet arms experts hold Special Session of the Standing Consultative Committee in Geneva to discuss the American threat to abrogate SALT II; talks collapse without agreement 7/30.

JULY 24. Former US Navy radioman Jerry A. Whitworth is convicted on 7 counts of spying for USSR, 5 counts of tax fraud for his role in the Walker family spy ring; sentenced 8/28 to 365 years in prison, fined $410,000.

JULY 25. In letter to Gorbachev, Reagan outlines US response to earlier Soviet arms control proposals; Reagan offers to delay deployment of SDI for 5–7 years in exchange for agreement that SDI could be deployed by either nation after that time.

JULY 25–31. US and Soviet negotiators hold talks in Geneva on improving verification of underground tests and a possible comprehensive test ban.

AUG. 5. USSR, US announce program of 13 educational, scientific and cultural exchanges as follow-up to Reagan-Gorbachev agreement during 11/85 summit.

AUG. 7. Soviet Union announces that it is granting political asylum to ex-CIA

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agent Edward Lee Howard, who disappeared 9/85 while under suspicion of selling secrets to the Soviets.

— In Mexico leaders of 6 countries call on USSR, US to end nuclear testing under a verification plan to be administered by the group, the Five-Continent Peace Initiative Group.

AUG. 11–12. Senior US arms control officials led by Paul H. Nitze hold talks with Soviet officials in Moscow in preparation for pre-summit talks between Shultz and Shevardnadze.

AUG. 18. Gorbachev announces that the Soviet Union will extend moratorium on nuclear weapons testing until 1/1/87; US again rejects moratorium.

AUG. 19. Final session of 32-month-long Conference on Confidence and Security-Building Measures and Disarmament in Europe begins in Stockholm; delegates approve 9/22 major new security pact designed to reduce risk of war by adopting measures for mutual inspection of troop movements, to take effect 1/1/87.

AUG. 23. Soviet physicist Gennadi F. Zakharov, a scientific officer at the UN Center for Science and Technology for Development, is arrested by FBI agents after exchanging money for classified documents on a New York City subway platform; Zakharov formally indicted 9/9 on 3 counts of espionage by federal grand jury in Brooklyn, New York.

AUG. 30. Nicholas S. Daniloff, Moscow correspondent for *U.S. News & World Report,* is detained by Soviet authorities after being handed a package containing 2 maps marked "top secret" by Soviet acquaintance; US officials contend Daniloff was framed in order to secure the safe return of Zakharov through an exchange; Daniloff formally charged 9/7 with espionage.

SEPT. 5. In letter to Gorbachev, Reagan gives personal assurances that Daniloff is not a spy, calls for his immediate release; in his first public comments about the case, Reagan 9/8 calls arrest "an outrage"; Gorbachev rebuffs Reagan, calls Daniloff "a spy who was caught red-handed" 9/18.

SEPT. 12. Zakharov, Daniloff are released from jail, placed in the custody of their respective embassies pending trials.

SEPT. 17. US government orders 25 members of Soviet mission to the United Nations to leave US or face expulsion; last 5 of the 25 leave 10/14.

SEPT. 18. Sixth round of Geneva arms control talks opens; US negotiators propose limiting each side's medium-range nuclear warheads to 200, only 100 of which can be deployed within range of Europe.

— Shevardnadze arrives in US to meet Shultz on preparations for second US-USSR summit; has unscheduled meeting with Reagan 9/19 to discuss Daniloff case; Shevardnadze 9/19 delivers to Reagan letter from Gorbachev that responds to Reagan's July letter on arms control; among other points, letter proposes both sides adhere to 1972 ABM treaty for 15 years instead of 15–20 years; letter also proposes that the 2 leaders meet in Iceland.

SEPT. 29. Soviet authorities drop charges against Daniloff; Daniloff released.

SEPT. 30. Daniloff and wife arrive in US; Gennadi Zakharov is freed, allowed to return to USSR after pleading no contest to charges of espionage in a US District Court in Brooklyn, New York; Soviets agree to let 2 Soviet dissidents, Yuri F. Orlov and wife Irina L. Valitova, emigrate to US; TASS and White House announce that Reagan and Gorbachev will meet in "preliminary summit" in Reykjavik, Iceland, on 10/11–10/12.

OCT. 5. Yuri Orlov, Irina Valitova arrive in New York; Reagan, at 10/17 White House reception for them, says human rights will be key topic at upcoming meeting with Gorbachev.

OCT. 9. Soviet Union announces that Jewish dissident Inessa Flerov will be allowed to emigrate to Israel to donate bone marrow to brother dying of leukemia; Flerov's husband Viktor told 10/17 by Soviet authorities that he can also emigrate; Flerov and family leave USSR 11/3.

OCT. 11–12. Reagan, Gorbachev meet in Reykjavik, Iceland; talks break up 10/12 without arms agreement due to differences over restricting SDI research; before meeting breaks up, Reagan and Gorbachev reach tentative understanding that (1) both sides would agree to reduce long-range nuclear weapons by 50% within 5 years, (2) both sides would remove all their medium-range missiles from Europe, with the USSR retaining 100 medium-range warheads in Soviet Asia and the US retaining 100 such missiles in America.

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OCT. 15. US-Soviet arms control talks resume in Geneva; senior US negotiator Max M. Kampelman says US is ready to "formalize" agreement to eliminate medium-range missiles in Europe and reduce them in Asia; talks adjourn without agreement 11/12.

OCT. 16. Following intervention of American industrialist Armand Hammer, ailing Soviet geneticist and human rights advocate David Goldfarb and wife are permitted to leave USSR aboard Hammer's private jet for New York.

OCT. 17. In wake of confusion over what Reagan actually discussed with Gorbachev at Reykjavik, Secretary Shultz makes public texts of Reagan's main arms control proposals to dispell impression that Reagan had agreed to eliminate all nuclear forces.

OCT. 19. Soviet Union orders 5 US diplomats to leave the country for engaging in "impermissible activities" in apparent retaliation for US expulsion of 25 Soviet UN personnel; US 10/21 orders 55 more Soviet diplomats to leave the country by 11/1 in apparent retaliation for Soviet 10/19 move; USSR 10/22 orders 5 more US diplomats to leave, announces that all 260 Soviet employees of US embassy and Leningrad consulate will be withdrawn.

OCT. 22. On Soviet television, Gorbachev says the proposals he made at Reykjavik are indivisible; accuses US of purposely misrepresenting summit discussions, maintains Reagan had voiced support for total abolition of nuclear arms within 10 years.

OCT. 25. Soviet Deputy Foreign Minister Aleksandr A. Bessmertnykh quotes Reagan at Reykjavik as agreeing to seek the elimination of all nuclear weapons within 10 years; Assistant Secretary of Defense for International Security Affairs Richard N. Perle 10/26 says Soviet disclosure of purported Reagan quote is an "unprecedented violation" of standard diplomacy.

NOV. 4. Conference on Security and Cooperation in Europe opens in Vienna to review 1975 Helsinki accords; Shultz, Shevardnadze meet 11/5–11/6 privately to discuss possible arms accords based on Reykjavik discussions but meetings end without progress.

NOV. 6. John A. Walker, Jr., is sentenced to life in prison for organizing a spy ring that sold sensitive navy secrets to Soviet Union; son Michael is sentenced to 25 years in prison.

NOV. 7. Soviet Union for the first time issues a list of acceptable grounds for applying to emigrate, to take effect 1/1/87.

NOV. 15. British Prime Minister Margaret Thatcher, meeting with Reagan at Camp David, Md., relays to the President European concerns about US-Soviet negotiations to eliminate all ballistic weapons within 10 years.

NOV. 28. US formally exceeds limits of 1979 SALT II accord by deploying a B-52 bomber equipped to carry cruise missiles; Moscow 12/5 says it will continue to adhere to accord but considers itself free from the treaty obligations.

DEC. 11. NATO foreign ministers meeting in Brussels propose a new negotiating forum for talks on reducing conventional weaponry in Europe, to replace deadlocked negotiations in Vienna; final communiqué issued 12/12 supports US goal of a 50% reduction in Soviet and US strategic weapons over 5 years but fails to support the goal of eliminating US and Soviet ballistic missiles.

DEC. 18. Soviet Union announces that it will end its nuclear testing moratorium as soon as the US conducts its first test in 1987.

DEC. 19. Soviet Union announces that the banishment of physicist and Nobel Peace Prize winner Andrei D. Sakharov to the city of Gorki has been lifted and that his wife, Elena G. Bonner, has been pardoned; Sakharov, Bonner arrive in Moscow 12/23.

DEC. 29. Fifty Soviet émigrés return to Moscow, in the largest group to be repatriated from the US to the USSR.

MIDDLE EAST AND PERSIAN GULF

JAN. 7. President Reagan orders virtually all economic ties with Libya severed in retaliation for 12/84 bombings of Rome, Vienna airports and calls on all Americans living in Libya to leave by 2/1; Reagan 1/8 orders all Libyan government assets in US frozen.

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JAN. 9. Italy announces it will ban weapon sales to Libya; Secretary of State George P. Shultz acknowledges pleas for cooperation from allies have not had "a lot of success"; after meeting French President François Mitterrand in Paris, Deputy Secretary of State John C. Whitehead says 1/22 France "will not undercut" US sanctions against Libya even though it declines to join sanctions.

JAN. 12. Armed Iranian seamen board American merchant freighter, the *President Taylor*, in international waters near Fujaira, United Arab Emirates, search for military matériel bound for Iraq; ship allowed to proceed after no such goods are found; Reagan Administration says 1/13 Iran may have been within its rights to search the freighter.

JAN. 13. Israeli cabinet agrees conditionally to submit to international arbitration long-festering border dispute with Egypt over 700-yard stretch of Gulf of Aqaba shore known as Taba.

— After apparent gangland-style mass killing of Politburo members at the behest of South Yemen President Ali Nasser Mohammed al-Hasani, violence erupts in Aden as supporters of Hasani battle supporters of former President Abdel Fattah Ismail; 10,000–13,000 reported dead in ensuing 12-day civil war; Soviet, French, British ships evacuate thousands of foreigners from Aden to Djibouti 1/16–1/23; rebel Marxist faction supporting Ismail consolidates power, names former Premier Haydar Bakr al-Attas as interim president 1/25; new government annouces 2/10 that Ismail was killed in initial battle; Hasani apparently goes into exile.

— In Beirut, rival Christian factions clash over Syria-sponsored peace accord; Lebanese Forces militia led by Elie Hobeika defeated by President Amin Gemayel's Phalangist Party forces, 200 are reported killed in 2-day battle 1/15; Hobeika resigns as Lebanese Forces leader, leaves country, reportedly for Paris 1/16; in wake of collapse of Syrian-sponsored peace plan, Lebanese Prime Minister Rashid Karami 1/20 calls for new political system, including end to Christian dominance; Hobeika returns to Beirut 1/22.

JAN. 18. King Hussein of Jordan meets US Assistant Secretary of State for Near Eastern and South Asian Affairs Richard W. Murphy in London to discuss possibility of convening international conference on Middle East.

JAN. 23. US informs Tripoli (Libya) International Airport that American carrier-based combat planes will conduct exercises off Libyan coast in the Gulf of Sidra; Qaddafi 1/25 boards patrol boat to confront US Sixth Fleet at the "line of death" demarcating what he claims are Libyan territorial waters.

FEB. 4. Israeli planes intercept over Mediterranean Libyan civilian jet suspected of carrying Palestinian terrorist leaders, force it to land in Israel; discovering that passengers are 7 Syrian politicians, 2 low-ranking pro-Syrian Lebanese militiamen, Israel allows plane to continue to Damascus; US 2/6 vetoes Syrian-sponsored UN Security Council resolution condemning Israel for the action.

FEB. 11. Iran captures Iraqi oil port of Fao in its most significant offensive against Iraq in the 5-1/2-year-old war.

FEB. 19. King Hussein announces he is ending year-long effort to construct joint peace strategy with Palestinian Liberation Organization chairman Yasir Arafat, characterizing the PLO leader as untrustworthy and asserting that the main stumbling block was Arafat's refusal to accept UN Security Council Resolutions 242, 338.

FEB. 24–27. Approximately 10,000 Egyptian security force conscripts mutiny after false rumor spreads that tours of duty will be extended from 3 years to 4; mutineers sack 3 luxury hotels, a dozen nightclubs near pyramids outside of Cairo; 24-hour curfew ordered for Cairo, suburbs 2/26; mutiny put down by army troops 2/27; Interior Minister Ahmed Rushdi is dismissed, replaced by Maj. Gen. Zaki Badr 2/28; official death toll 3/6 put at 107.

FEB. 25. Iran launches second offensive in Iraqi Kurdistan in apparent effort to demonstrate ability to fight a 2-front war against Iraq.

MAR. 2. Zafir al-Masri, recently appointed Arab mayor of West Bank city of Nablus, is shot and killed by lone gunman; 2 Palestinian radical splinter groups claim responsibility.

MAR. 5. Islamic Jihad (Islamic Holy War) announces it has executed French researcher Michel Seurat, kidnapped in Beirut 5/85, in protest over France's support of Iraq in Iran-Iraq war; 4 French television crewmen seized in Muslim West Beirut by Revolutionary Justice Organization 3/8; 2 released 6/20; third released 12/24.

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MAR. 13. Herut Party convention in Tel Aviv ends in chaos as opponents to party and Likud coalition chief Yitzhak Shamir, led by Deputy Prime Minister David Levy and Minister of Trade and Industry Ariel Sharon, challenge his leadership.

MAR. 14. UN-sponsored report on Iran-Iraq war charges Iraq with using chemical weapons "on many occasions" against Iran; UN Secretary-General Javier Pérez de Cuéllar condemns Iraq for violating 1925 Geneva Protocol banning chemical weapons.

MAR. 24–25. US, Libya exchange fire in Gulf of Sidra; Libyan ground batteries fire missiles at planes from US Sixth Fleet, US retaliates by bombing Libyan missile ships and a missile site on Libyan soil; Qaddafi declares 3/25 he is "ready for war"; Reagan Administration 3/27 reports navy ships, planes have completed exercises in Gulf of Sidra, are heading north out of gulf; Qaddafi 3/28 claims victory in Sidra confrontation.

APR. 9. In nationally televised news conference, Reagan calls Qaddafi the "mad dog of the Middle East."

APR. 12. US Defense Department officials announce that 2 US aircraft carriers, the *Coral Sea* and the *America*, are in a "holding pattern" off Sicily; US Ambassador to the UN Vernon A. Walters flies to Europe to confer with allies about possible action against Libya, meeting with British Prime Minister Margaret Thatcher 4/12, French and West German officials 4/13, Italian officials 4/14.

APR. 14. European Community foreign ministers meeting in The Hague agree to restrictions on Libyan diplomats and reductions in their numbers, as well as stricter visa requirements for Libyan nationals.

APR. 15. (7:00 p.m. APR. 14, EST) US jets from aircraft carriers in the Mediterranean and US bases in Britain strike 5 military, political targets in Libya; in Tripoli, planes strike military installation at international airport, El Azziziya military barracks, Sidi Bilal port; near Benghazi, planes bomb Jamahiriyah military barracks, Benina air base; French embassy and other foreign-owned, occupied buildings are damaged in the Bin Ashur district of Tripoli; adopted infant daughter of Qaddafi is reportedly killed in the strike, two of his sons seriously injured; one American F-111 with a crew of 2 is lost in attack.

— Libya fires 2 missiles at US Coast Guard facility on Italian island of Lampedusa, 200 miles off Libyan coast; missiles fall short, cause no damage.

APR. 16. Crisis in Israel's ruling Labor-Likud coalition ends when Minister of Justice Moshe Nissim and Minister of Finance Yitzhak Modai exchange jobs to satisfy Prime Minister Shimon Peres' demand that Modai give up finance portfolio after he lashed out at Peres' leadership, knowledge of economic issues; Modai resigns 7/21 under threat of dismissal by Peres after he fails to stop criticizing prime minister's leadership.

— CBS News/*New York Times* poll taken 4/15 shows 77% of those surveyed approved US raid on Libya; Qaddafi appears on Libyan television, condemns the American action, British involvement.

APR. 17. Two kidnapped Britons and one kidnapped American, Peter Kilburn, are found slain near Beirut, apparently in retaliation for US air strike against Libya; British opinion polls show 2/3 of those questioned oppose British support for the raid.

APR. 21. European Community foreign ministers meeting in Luxembourg agree to further measures to limit Libya's ability to sponsor terrorist attacks but stop short of closing all of Libya's European embassies.

APR. 22. Britain announces it will expel 21 Libyan students for suspected involvement in "student revolutionary activities"; announces 4/25 it will deport all 300 Libyan civil aviation students who do not leave voluntarily; France, Spain, West Germany, Denmark, Luxembourg, Belgium, the Netherlands announce plans to reduce further the number of Libyans in their respective countries 4/24–4/25.

— French authorities confirm France urged US to take even more forceful action against Libya than the limited air strike.

APR. 23. Pro-Libyan Revolutionary Organization of Socialist Muslims claims to have hanged 4/16 British citizen and freelance journalist Alec Collett, kidnapped in Beirut 3/85, in retaliation for US bombing of Libya; no body is recovered.

MAY 5–6. Syrian President Hafez al-Assad travels to Jordan for talks with King Hussein, his first such trip in 9 years.

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MAY 6. In Washington, Israeli Defense Minister Yitzhak Rabin, Defense Secretary Caspar Weinberger sign memorandum of understanding on Israeli participation in SDI.

— US Senate, 73–22, *rejects Reagan plan to sell $354 million in advanced* weapons to Saudi Arabia; House, 356–62, also rejects Saudi arms plan 5/7; Reagan, in major concession, cuts 800 advanced Stinger surface-to-air antiaircraft missiles from package 5/20; Reagan 5/21 vetoes congressional decision to block arms sales; Senate fails by one vote to override Reagan veto 6/5.

MAY 7. Iraqi planes bomb Teheran's main oil refinery, first air attack on the Iranian capital in 11 months; Iraqi planes destroy an antiaircraft defense installation and a power station in Teheran 12/13.

MAY 12. Libya expels 36 diplomats representing 7 Western nations in retaliation for "oppressive" European Community action against Libya.

MAY 17. Iraqi forces overrun Iranian border town of Mehran, first time since 1982 Iraqi troops successfully advance across border; Iranian troops reclaim Mehran, drive Iraqi forces back across border 6/30–7/2.

MAY 20. William A. Wilson, US ambassador to the Vatican and close personal friend of Reagan, resigns after unauthorized 11/85 trip to Libya causes controversy within Administration; Italian Foreign Minister Giulio Andreotti, in remarks published 12/18 in the newspaper *La Stampa*, says Italy arranged a meeting between Wilson and Qaddafi because "we received an official request" from the US government; US State Department reaffirms that Wilson's trip to Libya was unauthorized.

JUNE 25. Avraham Shalom, head of Israeli domestic intelligence agency Shin Beth, resigns in exchange for immunity from prosecution for his role in 1984 slaying of 2 PLO prisoners; Israeli Supreme Court 7/1 calls on government to show why it did not carry out investigation of slayings; Israeli Supreme Court upholds legality of presidential pardons of 4 Shin Beth agents 8/6; President Chaim Herzog grants pardons to 7 more Shin Beth agents 8/24; Justice Ministry inquiry absolves Yitzhak Shamir of involvement in murder and cover-up 12/28.

JULY 4. *Several hundred Syrian soldiers commanded by Brig. Gen. Ghazi Kanaan* begin patrolling Beirut, first deployment of Syrian troops in Beirut since 1982 Israeli invasion.

JULY 7. Jordan closes all 25 offices of Al Fatah, Yasir Arafat's mainstream group in the divided PLO.

JULY 21. Prime Minister Peres flies to Morocco for talks with King Hassan II; Syria breaks diplomatic ties with Morocco 7/22; talks end with little concrete agreement 7/23; Hassan resigns 7/28 as Arab League Conference chairman after heavy Arab criticism of meeting.

JULY 26. Islamic Holy War kidnappers release American Rev. Lawrence Martin Jenco after 19 months of captivity, citing his deteriorating health, desire to make a "goodwill gesture."

AUG. 18. In their first official diplomatic contact in 19 years, Soviet, Israeli representatives meet in Helsinki, Finland, to discuss resumption of consular relations; Soviet authorities say 8/19 there will be no more contacts with Israel on the subject after Israelis bring up question of Jewish emigration.

AUG. 25–26. In the first visit by an Israeli prime minister to a black African nation in 20 years, Peres goes to Yaoundé, Cameroon, as diplomatic relations, severed since 1973, are reestablished.

SEPT. 4. Three French soliders serving in the UN peacekeeping force in Lebanon are killed, a fourth is wounded in roadside bomb explosion outside Tyre.

SEPT. 7. Following terrorist bombing of Jewish synagogue in Istanbul, Turkey, Israeli Prime Minister Peres refuses to hold weekly cabinet meeting until Trade Minister Ariel Sharon apologizes for 9/6 statement that the Istanbul attack was the result of peace overtures by Peres and his supporters; Peres accepts Sharon's second letter of apology 9/8 after deeming first one inadequate.

SEPT. 9. *Kidnappers abduct Frank Herbert Reed, director of private Muslim* school in West Beirut; American Joseph James Cicippio, chief accountant for American University and its hospital in Beirut, is kidnapped in West Beirut 9/12; Arab Revolutionary Cells-Omar al-Mukhtar Forces claim responsibility for both kidnappings 9/14.

SEPT. 10. Egyptian, Israeli negotiators, meeting in Cairo with US Assistant Sec-

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retary of State Murphy, settle terms for submitting dispute over Taba to arbitration, clearing the way for an Egyptian-Israeli summit.

SEPT. 11–12. Egyptian President Hosni Mubarak, Peres hold first Egyptian-Israeli summit in 5 years, in Alexandria, Egypt; Egypt names chargé d'affaires in Tel Aviv as ambassador to Israel.

SEPT. 22. Peres meets Soviet Foreign Minister Eduard A. Shevardnadze in New York during UN General Assembly session, first time a high-level Soviet official has met an Israeli prime minister.

SEPT. 27. Pro-Syrian militiamen of Elie Hobeika's Lebanese Forces attack Lebanese Army soldiers loyal to President Gemayel in Beirut but fail to seize control of East Beirut; 52 reported killed, 200 wounded in the 13-hour battle.

OCT. 5. *The Sunday Times* of London publishes a report that quotes former Israeli nuclear arms technician Mordechai Vanunu as saying that Israel has been building and stockpiling atomic weapons at the Dimona nuclear facility for 20 years; Israel confirms 11/9 it has apprehended Vanunu, is holding him in lawful detention; Vanunu formally charged with aiding an enemy during war, aggravated espionage 11/28; Vanunu, entering court 12/21, scrawls message on his palm for reporters to see giving details of his 9/30 disappearance and arrival in Israel; pleads not guilty 12/28.

OCT. 7. Sheik Sobhi al-Saleh, prominent moderate Sunni clergyman and vice president of the Council of Islamic Jurisprudence, is shot and killed in West Beirut.

OCT. 8. Yasir Arafat confirms PLO is moving its military headquarters from Tunis to Iraq and Yemen.

OCT. 10. Prime Minister Peres submits his resignation, putting into motion 1984 job rotation plan with Foreign Minister Yitzhak Shamir; after delays caused by disagreement over political appointments, President Herzog 10/14 formally asks Shamir to form new government.

OCT. 15. One killed, 65 injured when 2 Arabs launch grenade attack on Israeli army recruits and their families in Jerusalem near Wailing Wall.

OCT. 16. Israeli jet is shot down over southern Lebanon as Israeli air force, navy launch attack on suspected Palestinian bases near Sidon; one pilot rescued; navigator held captive by Shia Amal militia.

OCT. 20. Shamir sworn in as prime minister of Israel; Peres becomes foreign minister.

OCT. 21. Revolutionary Justice Organization in Beirut announces it has kidnapped American freelance journalist Edward Austin Tracy.

NOV. 2. David P. Jacobsen, American hostage of Islamic Holy War, is released from an 18-month captivity in Beirut.

NOV. 9. Egyptian Prime Minister Ali Lufti is dismissed by President Mubarak after troubled economy fails to improve; Atef Sedki named replacement; new cabinet named 11/10.

NOV. 11. Two Frenchmen held hostage in Lebanon by the Revolutionary Justice Organization, Camille Sontag and Marcel Coudari, are released; French Foreign Minister Jean-Bernard Raimond announces that France has agreed to make initial $330-million payment to Iran of a $1-billion claim on a loan made by the government of the desposed shah.

NOV. 26. Iranian missile hits Baghdad, killing 48 people, wounding 52.

DEC. 4. Israeli troops shoot dead 2 Arab student demonstrators at Bir Zeit University in West Bank, sparking protests in Israel's occupied territories that by 12/11 leave 4 dead and over 25 wounded.

DEC. 5. Shia Amal militia leader Nabih Berri declares a cease-fire in fighting with Palestinian guerrillas near Beirut, Sidon, Tyre that has claimed 550 lives in 2 months; Palestinian National Salvation Front coalition says it will join cease-fire, but PLO makes no comment; after continued sporadic fighting, PLO Fatah fighters refuse to withdraw from Maghdousheh hills east of Sidon, Iranian-brokered peace plan is scuttled 12/14.

DEC. 24–25. Iran reports that it has overrun 4 islands controlled by Iraq in the Shatt al-Arab waterway; Iraq regains islands 12/26.

DEC. 25. Gunmen hijack an Iraqi Airways jet enroute from Baghdad to Amman; crash lands at Arar, Saudi Arabia; at least 67 people are killed.

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SOUTH ASIA

JAN. 1. In Bangladesh, pro-government politicans form Jatiya Party in preparation for upcoming parliamentary elections.

— Sri Lankan President Junius R. Jayewardene gives "free pardon" to former Prime Minister Sirimavo Bandaranaike, restores her political rights.

JAN. 5. Opposition Pakistan People's Party stages first open political rallies in over 8 years; opposition leaders hold rally 1/29 in Islamabad, demand immediate resignation of President Zia ul-Haq, democratic elections.

JAN. 8. Forty-six passengers are killed, over 100 wounded in Karen rebel attack of state-owned ferry in southern Burma.

JAN. 12. Press Trust of India reports Tamil guerrilla groups in Sri Lanka are ending 8-month-long truce with Sri Lankan security forces.

JAN. 15. Indian government announces it will grant citizenship to about 85,000 stateless Tamils living in Sri Lanka in a move to reduce Tamil-Sinhalese conflict in Sri Lanka.

JAN. 22. Three Sikhs are convicted, sentenced to hanging for 1984 assassination of Indian Prime Minister Indira Gandhi; 2 file appeals in Delhi High Court 1/29; court upholds convictions 12/3.

JAN. 26. Transfer of Indian city of Chandigarh from joint Haryana-Punjab state control to wholly Punjabi control is delayed as the government commission established to resolve the territorial dispute fails to come up with adequate compensatory territory for Haryana; Prime Minister Rajiv Gandhi names new commission 4/2; Punjab government rejects 6/21 new commission's recommendation, postponing again transfer of Chandigarh to Punjab.

— All-India Sikh Students Federation extremists seize control of Golden Temple shrine in Amritsar from moderates, ousting 5 official high priests of Sikhism.

JAN. 31. Gandhi announces substantial price increases for petroleum products; following protests, government 2/5 reduces price hikes by at least one third; at least 900 are arrested 2/10 during work stoppage in New Delhi; some 10,000 demonstrators are arrested in New Delhi 2/20; another mass general strike paralyzes several major cities 2/26.

FEB. 16. 100,000 attend moderate Akali Dal party rally in Anandpur, Punjab, to protest 1/26 seizing of Golden Temple by radical Sikhs.

MAR. 7. Prime Minister Gandhi ousts Jammu and Kashmir Chief Minister Ghulam Mohammed Shah, effectively putting the state under his own control; home rule reestablished 11/7.

MAR. 24. Indian government rejects proposed $350-million settlement between Union Carbide Corp. and US lawyers of the victims of 1984 Bhopal gas leak, calling amount "totally unacceptable" and reasserting its position that a final settlement can only be reached with its approval; Indian government says 11/22 it will seek at least $3 billion in damages for the victims.

APR. 4. On seventh anniversary of the execution of former Pakistani Prime Minister Zulfikar Ali Bhutto, 70,000 people north of Karachi protest the rule of President Zia and Prime Minister Muhammad Khan Junejo.

APR. 5. Afghan government forces attack rebel camp at Zhawar in southeastern Afghanistan; camp falls to Afghan government and Soviet forces 4/19; rebels recapture camp 4/23.

APR. 10. Benazir Bhutto, daughter of Zulfikar Ali Bhutto and leader of the opposition Pakistan People's Party, returns to Pakistan from 2 years of self-imposed exile in London; in Lahore she addresses one million in the opposition's biggest rally since the 1977 imposition of martial law; Bhutto 4/11 calls for new elections.

APR. 29. Sikh militants controlling Golden Temple declare the formation of the independent Sikh nation of Khalistan; Indian paramilitary police raid temple, arresting 200 militants, killing one person, 4/30.

MAY 3. Bomb, reportedly set by Tamil extremists, explodes on board Air Lanka jetliner while passengers are boarding in Colombo, Sri Lanka, killing 20; bomb explodes 5/7 in Colombo's Central Telegraph Office, killing at least 11, wounding over 115.

MAY 4. Citing poor health, Babrak Karmal resigns as general secretary of People's Democratic Party of Afghanistan, retaining membership in Politburo and

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remaining head of the Revolutionary Council; former chief of Afghan secret police, Najibullah, replaces Karmal as general secretary.

MAY 5. Seventh round of UN-sponsored proximity talks between Kabul and Islamabad governments begins in Geneva; suspended 5/23 without progress.

MAY 7. Parliamentary elections, marked by widespread violence and accusations of fraud, are held in Bangladesh for the first time since 1979; 7-party opposition alliance led by Begum Khaleda Zia boycotts the polls; pro-government Jatiya Party wins 152 of 300 seats, opposition Awami League, led by Sheikh Hasina Wazed, takes 75, as reported 5/21.

MAY 12. US District Court Judge John F. Keenan rules that Indian courts are the proper venue for lawsuits arising out of Bhopal chemical accident, conditionally dismisses thousands of claims filed in US; US lawyers representing Indian victims lose appeal to block shift of venue to India, 11/24.

JUNE 10. Sinhalese navy personnel kill 37 Tamil civilians on Mandaitivu island off northern Sri Lanka; 2 timed bombs, thought to be the work of Tamil extremists, explode within 5 minutes of each other on 2 buses in Trincomalee, killing approximately 40, wounding 73.

JUNE 16. President Reagan meets in White House with Afghan rebel delegation led by Burhanuddin Rabbani; Reagan declines rebels' suggestion that the US sever diplomatic ties with the Soviet-backed government in Kabul and extend recognition to the rebel alliance.

JULY 10. Bangladesh's new parliament opens amid violent protests in Dhaka, as most opposition parliament members, meeting outside the parliament building with supporters, refuse to attend opening session; parliament suspended 7/22.

JULY 22. Mine set by Tamil rebels explodes under a bus 140 miles north of Colombo, killing 28.

JULY 25. Sikh extremists in Punjab hijack a bus, execute one Sikh and 14 Hindu passengers; incident sparks rioting by Hindu protesters in Sikh district of New Delhi 7/26 and one-day general strike in the city by Hindus 7/28.

JULY 28. Speaking in Vladivostok, Gorbachev announces plan to withdraw 6 Soviet regiments from Afghanistan by year end, a 6% cut in Soviet forces there, calls on other nations to make comparable cuts in aid to Afghan rebels; Soviet Defense Ministry announces 11/5 that partial withdrawal is completed.

JULY 31. Proximity talks between Pakistan and the Soviet-backed Afghan government resume in Geneva; talks break down 8/8 over disagreement on timetable for Soviet troop withdrawal.

AUG. 13. Upper house of Indian parliament, concerned about Sikh terrorists infiltrating from bordering Pakistan, votes to activate provision in constitution that allows central government to take over law enforcement in the states; following widespread protest, federal government announces it will limit its jurisdiction to a 3-mile security zone along the Pakistan borders of Punjab, Gujarat, Jammu and Kashmir and Rajasthan.

— Pakistani Prime Minister Junejo orders arrest and detention of hundreds of political opponents; Benazir Bhutto is arrested and jailed after speaking at Independence Day opposition rally 8/14; 4 are killed 8/14 in clashes with police in Lahore; Bhutto released 9/8.

AUG. 25–29. Talks are held between a Sri Lankan government delegation led by President Jayewardene and leaders of the moderate Tamil United Liberation Front in Colombo; negotiators discuss possible measures to increase autonomy of Sri Lanka's northern and eastern provinces.

SEPT. 5. Four Arabic-speaking hijackers take over New York-bound Pan American World Airways jet while on a stopover in Karachi, Pakistan, and demand to be flown to Cyprus to free imprisoned comrades there; 21 die, scores are wounded in the 16-hour ordeal; all 4 hijackers apprehended.

OCT. 2. Prime Minister Gandhi survives assassination attempt unharmed while attending a ceremony in New Delhi to commemorate the 117th birthday of Mohandas K. Gandhi.

OCT. 15. Presidential elections held in Bangladesh; all major opposition parties boycott polls; President Hossein Mohammed Ershad wins overwhelming majority; Ershad 10/16 dismisses allegations of fraud and low voter turnout.

NOV. 1–4. Pathans and Muhajirs clash in Karachi and Hyderabad, Pakistan, leaving 51 dead, 400 wounded.

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Nov. 5. UN General Assembly votes 120–20 with 11 abstentions for the withdrawal of all foreign troops from Afghanistan; delegates of Kabul regime 11/6 assault members of the Afghan resistance organization, Islamic Union of Afghanistan Mujahedeen, in the halls of the UN building in New York.

Nov. 9. Indian authorities in Madras, India, place several top leaders of Tamil separatist guerrillas fighting for an independent state in Sri Lanka under house arrest.

Nov. 10. Four years of martial law is officially ended in Bangladesh; one person killed, over 100 injured in demonstrations protesting new law preventing any challenge to President Ershad's continued rule.

Nov. 16. Leaders of the 7-nation South Asian Association for Regional Cooperation hold their second annual meeting, in Bangalore, India; agree to establish permanent secretariat in Katmandu, Nepal.

Nov. 20. Babrak Karmal resigns as president of Afghanistan and member of the Politburo of the People's Democratic Party; tribal leader Haji Mohammad Chamkani named acting president 11/23.

Nov. 30. Sikh extremists hijack bus in rural Punjab, execute 22 passengers, mostly Hindu; attack leads to rioting, clashes with police and 12/2 general strike in New Delhi; 6 people, including 3 police, are killed 12/5 near a New Delhi temple when a truck driven by Sikhs rams into a police platoon.

Dec. 7. Pakistani Movement for the Restoration of Democracy coalition calls for parliamentary elections to be held within 6 months.

Dec. 10. US, India reach tentative accord on export of US supercomputer to India for use in weather forecasting after India agrees to US demand that technology not be used in military, nuclear weapons programs.

Dec. 14. Following 12/12 army raid on a Pathan neighborhood of Karachi in search of illegal weapons and narcotics, Pathans attack Mujahir district of Karachi, leaving 54 dead, 310 wounded; 70 more die, hundreds wounded in continued clashes 12/15 in Karachi as Mujahirs strike back; 3-day death toll 12/16 put at more than 150; cabinet of Prime Minister Junejo resigns 12/20.

Dec. 27. Sri Lankan government delegation holds talks with rebels in Tamil stronghold near Jaffna, first face-to-face meeting between government and guerrilla representatives in a year and a half.

EAST ASIA AND THE PACIFIC

Northeast Asia

Jan. 9. Prime Minister Yasuhiro Nakasone declines to visit the Yasukuni Shrine honoring Japan's war dead to avoid criticism of glorifying past Japanese militarism.

Jan. 12. Opposition New Korea Democratic Party assemblymen end 3-day sit-in in National Assembly after reaching agreement with ruling Democratic Justice Party that NKDP members charged with unruly behavior in the assembly in late 1985 will not be prosecuted; but 7 opposition assemblymen are indicted 1/15 on charges of assault and battery and obstructing officials from carrying out their duties.

Jan. 15–19. Soviet Foreign Minister Eduard A. Shevardnadze visits Japan, first visit by a Soviet foreign minister in 10 years; 2 countries agree to resume negotiations on a peace treaty formally ending World War II hostilities and to resume talks on scientific, technological cooperation; trade, taxation accords signed.

Feb. 12. South Korean opposition leaders begin drive to collect 10-million signatures on a petition calling for constitutional changes in presidential electoral system; headquarters of NKDP and Council for the Promotion of Democracy are searched 2/13 for evidence of petitions that government term illegal; policemen confine 275 opposition party members to their homes, deploy thousands of police around NKDP headquarters to prevent party meeting 2/20.

Feb. 24. South Korean President Chun Doo Hwan meets key opposition figures, proposes that any constitutional revisions be instituted after 1988, agrees to allow large NKDP meeting.

Mar. 9. Korea's Roman Catholic primate, Cardinal Stephen Kim Sou Hwan, calls on President Chun to amend the constitution to permit direct presidential elections.

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MAR. 17. South Korean opposition party leaders, Protestant and Catholic human rights leaders, other opposition leaders announce formation of National Liaison Organization for Democratization to push for constitutional reform.

MAR. 23. At largest antigovernment rally since Chun came to power, about 20,000 protestors in Pusan, South Korea, cheer opposition figure Kim Young Sam's call for direct presidential elections.

MAR. 30. Antigovernment rally in Kwangju, South Korea, attracts 50,000–60,000; after rally some remaining students clash with police; 70 are arrested.

APR. 8. Japanese government approves multi-billion-dollar package of economic incentives and reforms to boost domestic demand.

APR. 13–14. Prime Minister Nakasone meets with President Ronald Reagan in Washington and Camp David, reiterates pledge to cut the Japanese trade surplus with the US and restructure the Japanese economy.

APR. 30. President Chun meets with opposition leaders and says he would agree to demands for constitutional reform before his term expires in 1988 if National Assembly agrees to draft the constitutional changes and a timetable.

MAY 3. Antigovernment rally in Inchon, South Korea, turns violent; 30 policemen are injured, hundreds of students are arrested.

MAY 4–6. Twelth annual economic summit of leaders of 7 major industrial countries held in Tokyo.

MAY 21. In Pusan, 21 antigovernment Korean students briefly take over and vandalize US government offices.

MAY 30. Japanese government adopts second package of economic measures designed to encourage consumer spending and offset effects of a strong yen.

JUNE 2. Nakasone calls special session of House of Representatives to clear the way for double elections for upper and lower chambers of Diet.

JUNE 5. Korean National Assembly opens special session to discuss constitutional revision; assembly agrees 6/24 to set up a revision committee to draft compromise bill; committee officially established 7/30.

JUNE 24. Japan's Economic Planning Agency reports first-quarter 1986 GNP decline of 0.5%, first contraction recorded in 11 years.

JULY 6. Liberal Democratic Party wins landslide victories in both chambers of Japanese Diet, gaining unprecedented 304 seats in the 512-seat lower House of Representatives and winning 72 out of 136 seats contested in the 252-seat House of Councillors; victories bolster Nakasone's prospects for changing party rules to win unprecedented third term as party chief, and therefore prime minister.

JULY 22. House of Representatives confirms Nakasone as Japanese prime minister; Nakasone announces cabinet changes.

AUG. 8. Opposition NKDP presents Korean National Assembly with draft constitution providing for direct presidential elections; ruling DJP submits own draft constitution 8/25 requiring presidential candidates to have lived in South Korea for at least 5 consecutive years prior to elections, which would bar opposition leader Kim Dae Jung from the next elections; Kim says he will not run for president in 1988 if government allows direct elections.

AUG. 14. Seoul government announces an Independence Day release of 885 political prisoners.

SEPT. 8. Nakasone dismisses newly appointed Education Minister Masayuki Fujio after he asserts in 9/10 issue of *Bungei Shunju* magazine that Japan's 1910 annexation of Korea was by mutual consent and that the numbers of Chinese killed in 1937 "Rape of Nanking" had been exaggerated.

SEPT. 9. Japan agrees in principle to allow private Japanese companies and government research facilities to participate in SDI projects.

SEPT. 11. Japanese LDP unanimously votes to extend until 10/31/87 Nakasone's term as party president.

SEPT. 14. Bomb explosion at Seoul's Kimpo International Airport kills 5, injures 36; South Korean national police chief suggests North Korean agents are responsible.

SEPT. 19. Japanese government unveils third set of economic measures to boost the economy; package includes plan to spend $20 billion on public works, housing construction.

SEPT. 20-OCT. 5. Asian Games held in Seoul.

SEPT. 22. In remarks to LDP officials, Nakasone reportedly says that the presence

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of minorities in the US had the effect of lowering the nation's overall intellect; Nakasone formally apologizes to US Administration, black and Hispanic caucuses in Congress.

OCT. 28. Students from 27 South Korean universities occupy buildings at Konkuk University, Seoul, to protest Chun government; thousands of students at Konkuk battle 7,000 riot police for 2 hours 10/31; 1,275 students arrested.

NOV. 17. South Korean government announces that for the second day North Korean loudspeakers at the border have broadcast that North Korean leader Kim Il Sung was shot to death; report denied by North Korean embassies, cannot be confirmed; Kim meets foreign delegation from Mongolia 11/18, dispelling rumors of his death, despite continued reports of North Korean border broadcasts to the contrary.

NOV. 29. Up to 70,000 policemen are deployed to prevent an opposition rally in Seoul, in the largest police mobilization ever in the capital.

DEC. 5. Japan's LDP approves sweeping tax revision plan that would cut personal and corporate tax rates, impose a new 5% sales tax and eliminate most tax-free savings accounts.

SOUTHEAST ASIA, AUSTRALIA AND THE PACIFIC

JAN. 6–7. US delegation led by Assistant Secretary of Defense Richard L. Armitage and Assistant Secretary of State for East Asian and Pacific Affairs Paul Wolfowitz meets with Vietnamese officials in Hanoi to discuss US servicemen missing in action; both sides agree to intensify efforts, investigate reports of live sightings of servicemen.

JAN. 8. Trial of former Thai Prime Minister Kriangsak Chomanan and 39 others accused of participation in 9/85 coup attempt begins in Bangkok.

FEB. 5. American delegation headed by Senator Richard G. Lugar (R-Ind.) arrives in Manila, along with international observer team, to observe Philippine presidential elections between President Ferdinand Marcos, Corazon C. Aquino.

FEB. 7. Presidential "snap" elections are held in the Philippines amid reports of large-scale intimidation and fraud; Marcos, Aquino both make early victory claims 2/8, early official tallies by election commission give Aquino narrow lead.

FEB. 11. President Reagan appears to endorse Marcos when he suggests at a news conference that fraud and violence have taken place on "both sides" in the Philippine election.

FEB. 15. National Assembly declares Marcos and vice-presidential running mate Arturo Tolentino the winners with 53.8% of the vote; Reagan asserts that fraud and violence in election campaign and voting was perpetrated by Marcos supporters; in 2/16 Manila speech before 1–2 million supporters, Aquino claims victory, announces 7-point program of nationwide nonviolent protest to bring down Marcos government.

— Congressional delegation of 9 headed by Rep. Gerald Solomon (R-N.Y.) returns from 2-day mission to Vietnam to discuss American soldiers missing in action; Solomon reports Vietnamese officials acknowledged some American MIAs may still be living in remote areas; remains of 21 persons believed to be American MIAs, documents on 3 others are handed over to US officials 4/10; Deputy Foreign Minister Hoang Bich Son 4/12 denies any MIAs are alive in Vietnam; Vietnam suspends MIA talks 4/18 in wake of US attack on Libya.

FEB. 22. Philippine Defense Minister Juan Ponce Enrile and Armed Forces Chief of Staff Lieut. Gen. Fidel V. Ramos occupy Defense Ministry at Camp Aguinaldo, resign from Marcos government to protest election fraud and years of government misconduct, call on Marcos to resign; Marcos troops tentatively attack garrison 2/24 but many Marcos troops defect to the rebel ranks; early on 2/25 Manila time (2:00 p.m. 2/24, EST) Marcos calls US Senator Paul Laxalt (R-Nev.) suggests power-sharing arrangement with Aquino, but after meeting with Reagan, Laxalt tells Marcos to give up; Marcos, Aquino hold rival inaugurations 2/25; later in the day Marcos leaves presidential palace, flies to Clark Air Base and on to Guam; Aquino is hailed by Manila crowds; Marcos and entourage of 54 arrive in Honolulu, Hawaii, 2/26.

FEB. 26. Aquino names cabinet, including Enrile as minister of defense; orders 2/28 the release of all political prisoners jailed by Marcos government; first 34

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released 2/28; 2 leading communists, Jose Maria Sison and Bernabe "Commander Dante" Buscayno, released 3/5.

FEB. 27. Musa Hitam, deputy prime minister of Malaysia and deputy president of the United Malays National Organization (UMNO), submits resignations, citing "irreconcilable differences" with Prime Minister Mahathir Mohamad; withdraws party resignation 3/14.

MAR. 11. Three Malaysia-based leaders of a Moro National Liberation Front (MNLF) faction return to Manila to begin talks with new government.

MAR. 17. Leaders of the anti-Vietnamese Coalition Government of Democratic Kampuchea (CGDK) announce in Beijing 8-point proposal that calls for a 4-party coalition government in Cambodia and the gradual withdrawal of Vietnamese troops under a UN-supervised cease-fire; Vietnam condemns proposal 3/19; ASEAN foreign ministers endorse plan 4/29.

MAR. 25. Aquino abolishes Philippine National Assembly, abrogates 1973 Marcos constitution, announces a temporary "freedom constitution."

— Swiss government announces a temporary freeze on all bank deposits in Switzerland belonging to Marcos, his family or associates.

APR. 10. Australian *Sydney Morning Herald* article details corruption charges in higher levels of Indonesian government; Indonesian Minister for Research and Technology B. J. Habibie 4/13 cancels trip to Australia scheduled to begin that day; Indonesia lodges formal protest with Australian government 4/14.

APR. 24. In his first telephone conversation with Aquino, Reagan voices support for granting $150 million in additional economic and military aid to the Philippines for FY1986.

APR. 26. Reagan telephones former Philippine President Ferdinand Marcos during stopover in Honolulu, rebuffs his claim to power.

APR. 28. State Department announces US will formally scrap its military commitment to the 35-year-old ANZUS security pact if New Zealand enacts legislation barring nuclear-powered or nuclear-armed US ships from entering its ports.

APR. 29. Reagan's arrival in Bali, Indonesia, for meeting with ASEAN foreign ministers is marred when Indonesian authorities detain 2 Washington-based Australian journalists traveling in President's press party, bar them from entering the country; Indonesian authorities also detain and expel *New York Times* correspondent Barbara Crossette.

APR. 30. Philippine Vice President and Foreign Minister Salvador H. Laurel, in Bali for ASEAN meeting, asserts that the $150 million in additional US aid pledged by Reagan is not enough; after 5/1 meeting with Reagan, asserts that "cobwebs of doubt" concerning US support for Aquino government had been "swept away."

MAY 1. Thai Prime Minister Prem Tinsulanonda dissolves parliament after losing a vote on a bill to raise taxes on motor vehicles, calls for general elections for 7/27, nearly one year ahead of schedule.

— Reagan meets ASEAN foreign ministers in Denpasar, Bali; also meets with Indonesian President Suharto to discuss obstacles to foreign investment in Indonesia.

MAY 6. Indonesia announces package of economic measures intended to boost manufactured exports, encourage foreign investment; Indonesia devalues its currency 31% against the US dollar 9/12.

MAY 25. Aquino announces formation of 50-member constitutional commission, leaving 5 slots for Marcos loyalists; commission, reduced to 48, holds opening session 6/2.

JUNE 23–34. ASEAN foreign ministers hold 19th annual meeting in Manila.

JUNE 25. In Manila, US Secretary of State George P. Shultz signs agreement to accelerate disbursement of $200 million aid package for the Philippines that had been earmarked but not disbursed; $150 million in additional aid is provided through 1986 supplemental appropriations bill signed 7/2.

JUNE 27. In Manila, Shultz informs New Zealand Prime Minister David Lange that US is not terminating ANZUS obligations, but that it is no longer obligated to defend New Zealand.

JULY 6–8. Marcos loyalists stage unsuccessful attempt to form a rebel government headed by Marcos running mate, Arturo M. Tolentino; approximately 500 soldiers take over the Manila Hotel 7/6 while 3,000 supporters gather outside; Tolentino "sworn in" by former Supreme Court justice; about half the soldiers and Tolentino

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end occupation 7/7; remaining troops, supporters leave peacefully 7/8 when promised amnesty.

JULY 10. Le Duan, secretary general of the Vietnamese Communist Party, dies in Hanoi at the age of 78; ideological hardliner Truong Chinh, 79, is elected successor by Central Committee 7/14.

JULY 11. In Marawi, southern Philippines, 40 armed Muslim kidnappers abduct 10 Carmelite nuns; Muslim kidnappers abduct American Baptist missionary Brian Lawrence in Marawi 7/12; intervention of ex-governor of Lanao del Sur province Princess Tarhata Lueman results in release of nuns 7/17, Lawrence 7/18.

JULY 27. In elections for lower house of Thailand's National Assembly, Democratic Party wins a plurality of 100 seats, agrees to join coalition government and nominate Prime Minister Prem Tinsulanonda to another term; King Bhumibol Adulyadej reappoints Prem 8/5.

AUG. 2–3. Malaysian Prime Minister Mahathir Mohammad's 13-party National Front coalition government wins landslide victory in parliamentary elections, winning 147 out of 177 seats.

AUG. 5. Philippine government negotiator Ramon Mitra begins formal cease-fire talks with rebel communist leaders Satur Ocampo and Antonio Zumel in Manila.

SEPT. 5. Aquino meets with rebel MNLF leader Nur Misuari in the southern Philippines, agrees to talks on ending the 14-year Muslim separatist insurgency.

SEPT. 12. Philippines Supreme Court overturns 12/85 acquittals of 26 men accused of involvement in the murder of Benigno Aquino, orders retrial.

SEPT. 15–24. Aquino visits US; Reagan meets with Aquino 9/17, tells her he is "bullish on the Philippines"; Aquino addresses joint session of Congress 9/18, House approves bill to provide $200 million in additional foreign aid to the Philippines for FY1987.

SEPT. 26. Malaysia bans the sale of *The Asian Wall Street Journal*, orders 2 AWSJ reporters to leave the country for writing antigovernment articles; ban and expulsion orders are revoked 11/13.

SEPT. 29. US Senate, 51–43, rejects bill to increase aid to the Philippines by $200 million; Senate again rejects aid measure 10/2; Senate 10/3 finally approves aid, 82–14, as an amendment to the $557.6 billion appropriations bill for FY1987.

SEPT. 30. Rodolfo Salas, reputed chairman of Communist Party of the Philippines and commander of the New People's Army, is arrested after entering a Manila hospital for medical treatment; formally charged with rebellion 10/2.

OCT. 9. Indonesian military spokesman affirms that in recent weeks 9 communists convicted of involvement in the 1965 coup attempt against President Sukarno have been executed.

— Indonesian government shuts down influential paper *Sinar Harapan* following "speculative reporting" on import tariff system.

OCT. 12. Philippine constitutional commission approves, 44–2, final draft of new constitution setting parliamentary elections for 5/87, granting parliament a say over the future of US bases in the Philippines and limiting the president to one 6-year term; national plebiscite on constitution scheduled for 2/87.

— UN General Assembly, 115–21 with 13 abstentions, calls on Vietnam to withdraw its troops from Cambodia.

OCT. 24. IMF approves $519.4 million in loans to the Philippines, clearing the way for debt rescheduling talks with the government's foreign bank creditors; talks begin in New York between Philippine government and consortium of international private banks 10/27.

OCT. 26. At a Manila rally of about 20,000 Marcos supporters, Defense Minister Enrile attacks Aquino leadership; in an apparent veiled threat to Aquino, Vice President Laurel proposes 10/29 nationwide vote of confidence be held to determine Aquino's mandate; US State Department spokesman affirms US support for and confidence in Aquino 10/29.

OCT. 29. US, Vietnamese officials begin fourth round of 1986 talks on missing US servicemen; Vietnamese turn over the remains of 3 unidentified servicemen 11/26.

OCT. 31. Laotian state radio announces that Prince Souphanouvong of Laos has stepped down as president due to poor health.

NOV. 4. Northern Mariana Islands formally becomes a US commonwealth and its residents American citizens, ending status as a US-administered UN trust terri-

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tory; Federated States of Micronesia and Marshall Islands become freely associated states.

Nov. 10. Joshua Benjamin Jeyaretnam, leader of Singapore's 2-member parliamentary opposition, is sentenced to one month in prison, barred from his seat in Parliament after being found guilty of fraud and making false statements regarding funds of his Worker's Party.

Nov. 10–13. Aquino goes to Japan on scheduled visit despite rumors of an impending coup; Nakasone pledges increased development and economic assistance 11/10.

Nov. 13. Rolando Olalia, head of a major leftist party and the Philippines' largest labor union, the May First Movement, is slain along with his driver in Manila; Aquino announces 11/14 formation of a special task force to investigate the assassination; hundreds of thousands of protestors attend 11/20 funeral procession in the largest rally ever held by the left in the Philippines.

Nov. 23. Aquino asks her cabinet to resign, immediately accepts resignation of Defense Minister Enrile in wake of further threats of a coup; announces appointment of Deputy Defense Minister Rafael Ileto as Enrile's replacement and a 7-day deadline to reach cease-fire agreement with communist rebels.

Nov. 27. Philippines government, communist insurgents sign agreement on a 60-day cease-fire, cease-fire begins 12/10.

Nov. 28. Aquino dismisses 2 more cabinet members, Public Works Minister Rogaciano Mercado and Natural Resources Minister Ernesto Maceda, and names replacements; dimisses Local Government Minister Aquilino Pimentel, Labor Minister Augusto Sanchez 2/2.

Dec. 15. Sixth Party Congress of the Communist Party of Vietnam opens in Hanoi; official radio announces the retirement due to "old age and health conditions" of Vietnam's 3 top leaders: Prime Minister Pham Van Dong; General Secretary Truong Chinh and Politburo member Le Duc Tho; Nguyen Van Linh named general secretary 12/18 in closing session of party congress.

Dec. 23. Philippine government and communist negotiators begin substantive peace talks.

China and Taiwan

Jan. 2. Macau Governor Vasco de Almeida e Costa declares his resignation; Portuguese President António Ramalho Eanes formally accepts Costa's resignation 1/25; Joaquim Pinto Machado is appointed governor 5/1.

Jan. 6, 9. During one of its largest conferences in years, Chinese Communist Party announces a new campaign against corruption at senior levels to "rectify party style."

Jan. 15. China rejects Soviet proposal of a nonaggression treaty, says only way to improve bilateral relations is for USSR to eliminate "3 obstacles" of Soviet involvement in Cambodia, Afghanistan, and troop deployments on Sino-Soviet border.

Jan. 29. *People's Daily* reports 370 officials in Harbin are under investigation for corruption, the largest number yet reported in the current crackdown on economic crimes, malfeasance.

Feb. 1. New Chinese regulations easing travel, residence for foreigners take effect.

Feb. 20. Board of governors of Asian Development Bank accepts PRC as bank's 47th member; PRC formally admitted 3/11; Taiwan, a founding member of bank, protests change in its official designation from "Republic of China" to "Taipei, China."

Mar. 21. At end of week-long visit to China by Soviet First Deputy Prime Minister Ivan V. Arkhipov, China, USSR sign agreement to exchange engineers, technicians.

Mar. 24-Apr. 12. In fourth session of 6th National People's Congress in Beijing, Congress adopts 7th Five-Year Plan, which targets 7% annual growth.

Apr. 8. Reagan Administration informs US Congress of intent to sell PRC $550 million in aviation electronics, in largest military sale to Beijing since 1972.

Apr. 14. Soviet Foreign Minister Eduard Shevardnadze proposes to visiting Chinese Vice Foreign Minister Qian Qichen that China, USSR hold summit on

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normalizing relations; Chinese foreign ministry 4/16 rejects proposal as unrealistic until "3 obstacles" are removed.

MAY 3. Defecting Taiwanese pilot Wang Hsi-chueh hijacks China Airlines cargo plane to Guangzhou (Canton); first face-to-face negotiations between PRC government and Taiwan's Nationalist government take place in Hong Kong 5/17–20, as representatives of both national airlines discuss return of plane, 2 crewmembers; plane, crew returned to Taiwanese airline officials in Hong Kong 5/23.

MAY 24. Four hundred Chinese students at Tianjin University confront African foreign students celebrating African Liberation Day, besiege them for 5 hours; 200 African students stage protest march in Beijing 6/6 to protest racism in China.

JUNE 8–23. Chinese General Secretary Hu Yaobang visits Britain, West Germany, France, Italy; visit is first by Chinese Communist Party leader to Western Europe since 1949.

JULY 11. China submits formal application to join GATT.

JULY 17. John F. Burns, *New York Times* Beijing bureau chief, is taken into custody by Chinese security officials, charged with espionage stemming from motorcycle trip through areas restricted to foreigners; expelled 7/23.

JULY 25. Naturalized US citizen Roland Shensu Loo is sentenced to 12 years in prison in China for spying for Taiwan; 3 other Chinese, pleading guilty, receive lesser sentences.

AUG. 3. The Shenyang Explosion-Proof Equipment Factory becomes the first Chinese firm to be declared bankrupt since 1949.

AUG. 27. US Agency for International Development announces that it will withdraw $25-million contribution from the UN Fund for Population Activities because of fund's alleged involvement in China's population program.

SEPT. 7. In interview broadcast on American television Deng Xiaoping says he is willing to go "to any place" to meet Mikhail Gorbachev if Soviet Union "can contribute to the withdrawal of Vietnamese troops from Cambodia."

SEPT. 26. China's first stock market since 1949 opens in Shanghai, with two companies' stocks offered to the public; all available shares of both companies sold within one hour.

SEPT. 28. Central Committee of the Chinese Communist Party reaffirms Dengist policy of economic modernization through expanded foreign economic relations in a document entitled "Resolution on Guiding Principles for Building Socialist Society with an Advanced Culture and Ideology"; but document warns against corruption and "bourgeois liberalization."

OCT. 10. China announces new regulations designed to improve business conditions for foreign companies, including lower taxes, reduced charges for labor, raw materials, and greater freedom in hiring, firing employees.

OCT. 12. Queen Elizabeth II begins 6-day state visit to China, becoming first British sovereign in history to visit the country.

OCT. 15. Taiwanese government announces that Central Standing Committee of the Nationalist Party has approved plan to lift martial law, imposed in 1949.

OCT. 22. Ye Jianying, Long March veteran, former head of state and conservative critic of Dengist policies, dies in Beijing at the age of 90.

OCT. 25. Madame Chiang Kai-shek returns to Taiwan from New York to commemorate 100th birthday of her late husband.

NOV. 5–11. Three US Navy warships make a port visit at Qingdao, China, first American military vessels to visit China since 1949.

NOV. 30. In worst rioting since the 1979 Kaoshiung uprising, supporters of exiled Taiwan opposition leader Hsu Hsin-liang clash with police at Taipei international airport, where they had gone to greet him on his return from a 7-year exile; Hsu, refused permission to board any flights, remains in Tokyo; Hsu arrives in Taipei airport 12/2 and is immediately turned back.

DEC. 5. Hong Kong Governor Sir Edward Youde, 62, dies while on a visit to Beijing; Sir David Akers-Jones becomes acting governor.

DEC. 6. In Taiwan, newly formed Democratic Progressive Party becomes first opposition party to compete in elections since 1949; DPP gains 23% of the vote for Legislative Yuan and National Assembly seats; 4 top vote-getters all DPP members; Nationalist Party wins 63% of the vote.

DEC. 9. Thousands of Chinese university students in Wuhan, Hubei province, and Hefei, Anhui province, march to promote their demands for greater democratic

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freedoms; up to 35,000 Chinese students march in Shanghai 12/20, calling for greater press freedoms and demanding democracy; Xinhua News Agency 12/20 carries commentary on demonstrations that acknowledges citizens' right to hold demonstrations; Xinhua criticizes protesters 12/21 as up to 50,000 continue marches in Shanghai; after continued protests Shanghai public security bureau bans demonstrations without a permit 12/22; student protests spread to Beijing 12/23; Beijing authorities effectively ban further demonstrations 12/26.

DEC. 27. Beijing Municipal People's Congress announces that in upcoming local legislative elections more than one candidate will compete for each seat.

LATIN AMERICA

MEXICO, CENTRAL AMERICA AND THE CARIBBEAN

JAN. 1. Nicaraguan government closes down official Roman Catholic radio station because it failed to broadcast most of President Daniel Ortega Saavedra's 12/31 year-end address to the nation.

JAN. 3. President Reagan, meeting with Mexican President Miguel de la Madrid in Mexicali, Mexico, pledges US support in Mexico's efforts to obtain help from international lenders and commercial banks to meet its external debt.

JAN. 12. Contadora Group (Colombia, Mexico, Panama, Venezuela) plus so-called support group of Peru, Argentina, Brazil, Uruguay issue "Caraballeda message" after 2-day meeting in Carabelleda, Venezuela; group urges simultaneous end of US support for anti-Sandinista rebels and political liberalization in Nicaragua.

JAN. 14. Christian Democrat Mario Vinicio Cerezo Arévalo is inaugurated as president of Guatemala, ending over 15 years of military rule.

JAN. 27. Liberal Party's José Azcona Hoyo is inaugurated as president of Honduras.

JAN. 31. In wake of increasing violence, President-for-Life Jean-Claude Duvalier declares a state of siege in Haiti; US White House spokesman Larry Speakes erroneously reports that Duvalier has been ousted, has fled the country; Duvalier, on national radio, denies ouster, defends his state of siege declaration; Greece, Switzerland, Spain reveal 2/5 that they have rejected requests on behalf of Duvalier for asylum in their countries amid reports that other nations too have denied asylum.

FEB. 3. Oscar Arias Sánchez, head of the governing National Liberation Party, wins Costa Rican presidential elections with 52% of the vote, defeating Social Christian Unity Party candidate Rafael Angel Calderón Fournier; sworn in 5/8.

FEB. 4–7. Third Congress of Cuban Communist Party held in Havana; Cuban leader Fidel Castro announces Politburo shakeup 2/7.

FEB. 7. Duvalier and entourage of about 20 leave Haiti aboard US air force transport plane, fly to Grenoble, France, where he is offered "temporary" hospitality; Lt. Gen. Henri Namphy announces that he will head a governing council of 4 military men and 2 civilians; Haitians 2/7 take to the streets, attacking members of the dreaded security force, Tontons Macoutes.

FEB. 10. Foreign ministers of Contadora Group plus support group meet with US Secretary of State George P. Shultz in Washington, urge end to US support for Nicaraguan rebels; Shultz states that US will resume bilateral talks with Managua if it holds talks with rebels.

FEB. 15. France steps up pressure on Duvalier to leave; Liberia offers asylum, which Duvalier refuses; US refuses to accept Duvalier 2/16; Duvalier, entourage move to Grasse, in southern France, 3/7.

FEB. 18. New Haitian government nationalizes Duvalier's Haitian assets; government says 2/27 it will seek Duvalier extradition; Switzerland freezes bank assets of Duvalier at Haitian government request 4/15.

FEB. 20. Reagan attends summit of Caribbean leaders in Grenada; pledges to improve record of the Caribbean Basin Initiative.

FEB. 25. Haitian National Council of Government announces its economic and political program, promises new constitution, elections, tax cuts, literacy campaign.

— Reagan asks Congress to authorize $100 million over 18 months in aid to Nicaraguan rebels, to begin 3/31 when current authorization of $27 million for nonlethal aid runs out.

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MAR. 3. Reagan meets with leaders of the United Nicaraguan Opposition in Washington, Alfonso Robelo Callejas, Arturo José Cruz, Adolfo Calero Portocarrero.

MAR. 7. Reagan appoints Philip C. Habib as special envoy to Central America; Habib, back from a 3/12–3/14 trip to Central America, says 3/17 most people in the region support Reagan's Nicaragua policy.

MAR. 20. House, 222–210, rejects Reagan's request for $100 million in aid to Nicaraguan rebels; Senate, 53–47, approves Reagan's request 3/27 under a compromise plan that would delay delivery of $75 million for 90 days to allow diplomats time to seek negotiated settlement.

MAR. 20. Haitian Justice Minister Gérard Gourgue, the only member of new ruling council without close links with Duvalier family, resigns; Namphy dismisses 3 other members of the council 3/21.

MAR. 25. Reagan orders $20 million in emergency aid to Honduras, asserting that 1,500 Nicaraguan government troops have penetrated 12 miles into Honduran territory; 14 US army helicopters 3/26 airlift a battalion of Honduran troops to border area, where Nicaraguan government troops are said to be fighting Nicaraguan rebels.

APR. 5–7. Foreign ministers of Contadora Group, its support group and 5 Central American nations, meeting in Panama, fail to reach agreement on a Central American peace treaty.

APR. 26. Haitian troops fire on crowd of 10,000 in Port-au-Prince that had marched through the city following a memorial service for victims of political violence under the Duvalier regime; 7 killed, dozens wounded.

— Salvadoran Communications Minister Julio Adolfo Rey Prendes meets with leaders of the Democratic Revolutionary Front (FDR) in Lima, Peru, to explore possibility of renewing peace negotiations; FDR formally agrees to resume peace talks 6/3; FDR and Salvadoran government representatives hold further talks 8/20 in Mexico City on arrangements for resuming peace talks.

MAY 13. In Senate Foreign Relations Subcommittee on Western Hemisphere Affairs hearings on US-Mexico relations, US Customs Service Commissioner William von Raab claims that there is "ingrained corruption in the Mexican law enforcement establishment" and that Sonora state governor owns 4 ranches where opium poppies, marijuana are grown; Mexico protests accusations, US Ambassador to Mexico John Gavin apologizes 5/14; US Attorney General Edwin Meese apologizes to his Mexican counterpart 5/22; US Customs Service stands by charge 5/24.

MAY 16. Edén Pastora Gómez, leader of an anti-Sandinista guerrilla force, says he is giving up the fight against Nicaraguan government, requests asylum in Costa Rica; asylum granted 6/3.

— Presidential elections are held in the Dominican Republic in which all 3 major candidates are former presidents: Jacobo Majluta Azar of the ruling Dominican Revolutionary Party; Juan Bosch Gaviño of the Marxist Dominican Liberation Party; and Joaquín Balaguer of the Social Christian Reform Party; following accusations of fraud, vote counting is suspended 5/18–20, 21; Balaguer is provisionally declared winner 5/26; Majluta concedes 5/28; Balaguer inaugurated 8/16.

MAY 17. Eight West German volunteer workers are captured by anti-Sandinista rebels; are freed in southern Nicaragua 6/10.

MAY 20. US Defense Department study of Contadora peace plan headed by Under Secretary of Defense Fred C. Iklé is released; study criticizes plan, arguing that it would give Nicaragua a "shield from behind which they could continue their use of subversive aggression" and would require sending 100,000 US troops to Central America within several years; State Department spokesman says study "has no standing as a United States government document."

MAY 24–25. Presidents of Nicaragua, Honduras, Costa Rica, Guatemala, El Salvador hold summit in Esquipulas, Guatemala, to discuss Contadora peace plan; Nicaragua insists it will not sign treaty until US stops aiding anti-Sandinista rebels.

MAY 29. Leaders of United Nicaraguan Opposition, concluding 3 weeks of meetings in Miami, announce agreement on a restructured leadership in which civilians gain greater authority; agreement averts collapse of the coalition.

JUNE 5. Nicaragua frees 308 pardoned prisoners, including bodyguards to former President Anastasio Somoza Debayle, 5 Hondurans, 5 Costa Ricans.

JUNE 7. In wake of growing political tensions, Haitian President Namphy an-

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nounces that a constitutional assembly will be formed by October, that presidential elections will be held within 17 months.

JUNE 8. Col. Ricardo Montero Duque, last imprisoned senior anti-Castro officer of the failed 1961 Bay of Pigs invasion, is released from Cuban prison, flies to US; last remaining Bay of Pigs prisoner, Ramón Conte Hernández, is released from a Havana prison 10/17, flies to Miami 10/18.

JUNE 10. Critics of new Haitian government stage general one-day work, school strike, call for ouster of 2 of Namphry's ruling council partners.

JUNE 11. US General Accounting Office says millions of dollars of US "humanitarian" aid to anti-Sandinista rebels is being paid to the Honduran military, funneled to offshore banks or kept in the US.

JUNE 12. *The New York Times* reports that Panamanian army commander Gen. Manuel Antonio Noriega is involved in money laundering, drug trafficking, supplying intelligence on the US to Cuba, and the 1985 slaying of a political opponent; 6/21 *NYT* report asserts that Noriega intervened and overturned the results of the 1984 Panamanian presidential elections to guarantee the inauguration of Nicolás Ardito Barletta; Senator Jesse Helms affirms *NYT* reports 6/22.

JUNE 17. Mexican Finance Minister Jesús Silva Herzog resigns, is replaced by Gustavo Petricioli, head of state-owned Nacional Financiera development bank.

JUNE 25. House, 221–209, approves Reagan's aid package for anti-Sandinista rebels; aid to be dispersed in 3 installments, with first weapons reaching rebels on 9/1.

JUNE 26. Independent Managua newspaper, *La Prensa*, shut down by Nicaraguan authorities.

JUNE 27. After 26 months of litigation, the International Court of Justice rules that US has violated international law, Nicaraguan sovereignty by aiding anti-Sandinista rebels; US rejects ruling.

JULY 2. Land mine explodes beneath bus in northern Jinotega province, Nicaragua, killing 34 civilians; Nicaraguan authorities blame rebels.

JULY 4. Nicaraguan authorities expel vice president of the Nicaraguan Bishops' Conference, Bishop Pablo Antonio Vega Mantilla, saying he "did not deserve to be a Nicaraguan"; Vega seeks, receives political asylum in Honduras.

JULY 6. Mexican state and local elections are held in Chihuahua, 5 other states amid allegations by opposition National Action Party (PAN) of widespread fraud by the ruling Institutional Revolutionary Party (PRI); authorities announce sweeping victories by PRI 7/14.

JULY 8–9. Cuban, US representatives hold talks in Mexico City over possible resumption of 1984 immigration accord, which Cuba canceled in 1985 to protest US Radio Martí broadcasts; negotiations end in failure 7/9.

JULY 16. Luc Desyr, former Haitian chief of secret police under Duvaliers, is convicted of murder, sentenced to death in Port-au-Prince.

JULY 22. Mexico signs $1.6 billion loan agreement with IMF in which it pledges economic reforms in return for emergency assistance over 18 months to help it reduce its foreign debt.

JULY 24. Mexico formally admitted into GATT.

AUG. 12–14. Mexican President de la Madrid meets with Reagan in Washington; leaders reach agreement on strengthening drug enforcement cooperation.

AUG. 13. Mexican police officers in Guadalajara abduct, interrogate, torture US Drug Enforcement Administration agent Victor Cortez, Jr.; Cortez returns to US 8/14; US issues formal protest over treatment of Cortez 8/18; 11 Guadalajara police officers charged 8/27 with abuse of authority, causing bodily harm to Cortez.

— Senate, 53–47, passes Reagan request for $100 million in aid to Nicaraguan rebels, in measure identical to House June version; aid, along with $300 million from Economic Support Fund for Costa Rica, Honduras, El Salvador, Guatemala, is approved by Congress as part of omnibus appropriations bill 10/17.

AUG. 19. Reagan, in interview with Mexican newspaper *Excelsior*, gives his most explicit statement to date on US policy toward Nicaragua, saying that unless the Nicaraguan government sought democratic reforms, the "only alternative" might be for the rebels "to have their way and take over."

AUG. 22. Reagan orders measures to tighten 26-year-old US trade embargo on Cuba.

SEPT. 14. Preparatory meeting in Panama for peace talks between Salvadoran

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government and rebels breaks down over security arrangements; rebels cancel participation in peace talks scheduled to begin 9/19 in Sesori.

SEPT. 15. Sixty-seven former Cuban political prisoners, along with 37 family members, arrive in US after being released from Cuban prisons.

SEPT. 30. Mexican government reaches agreement with 15 leading creditor banks on a $6-billion loan package, part of a $12-billion package arranged by the IMF to alleviate Mexico's $98-billion foreign debt; banks agree to establish $1.7-billion contingency fund to be used if the Mexican economy proves unable to support the repayment schedule.

OCT. 5. American plane with 4 men and cargo of military supplies is shot down over Nicaraguan territory near Costa Rican border; one American survivor, Eugene Hasenfus, is captured 10/6; Nicaragua accuses CIA of illegally supervising supply flights to aid the anti-Sandinista rebels 10/7; US State Department, CIA officials 10/7 say shipments were organized and operated by private citizens; Hasenfus, in 10/9 press conference in Managua, says he believes his flight and other supply flights to rebels were directly supervised by CIA agents operating in El Salvador, including an agent named Felix Rodriguez, a.k.a. Max Gómez; Nicaraguan government announces 10/10 that it will try Hasenfus.

OCT. 10. Earthquake measuring 7.5 on the Richter scale strikes San Salvador, killing nearly 1,000.

OCT. 11. Vice President George Bush denies any connection with the secret supply of arms to Nicaraguan rebels; acknowledges knowing and meeting with Rodriguez 3 times but asserts that they talked only of situation in El Salvador, not Nicaragua; calls Rodriguez "a patriot"; Bush's national security adviser, Donald P. Gregg, says in first public comments 12/12 that neither he nor Bush knew until August that Rodriguez was deeply involved in "private" arms shipments to Nicaraguan rebels.

OCT. 19. In first free popular elections in Haiti in nearly 30 years, less than 21% of eligible voters turn out to cast ballots for 41 members of a constitutional convention.

OCT. 20. Land mine explodes under civilian truck in northern Nicaragua, kills at least 6, seriously wounds 30; authorities blame rebels.

— Trial of Eugene Hasenfus opens in Managua in the Popular Anti-Somocista Tribunal; Hasenfus 10/23 pleads innocent to charges of terrorism, association to commit illicit acts, violation of the public security law.

OCT. 30. Mexican authorities announce arrest of Gilberto Ocaña García, brother of a former governor of Sonora, on charges of drug trafficking after marijuana fields are discovered on his Sonora plantation.

NOV. 11–14. Organization of American States holds 16th annual meeting in Guatemala City; passes resolution urging Britain, Argentina to resolve Falkland Islands dispute 11/11; calls on Contadora Group to continue pursuit of Central American peace plan 11/14.

NOV. 15. Hasenfus found guilty of terrorism and other crimes, sentenced to 30 years in prison; sentence confirmed by the Superior People's Revolutionary Tribunal 12/11; granted pardon, freed 12/17.

DEC. 6. Honduran President Azcona requests US logistical assistance in fighting 1,000 Nicaraguan soldiers who have crossed into Honduras in pursuit of rebel forces; US helicopters ferry Honduran troops into the Las Vegas Salient 12/7–12/8.

DEC. 8. Honduran and Nicaraguan rebel officials announce that the rebels have agreed to move all their troops out of Honduras and into Nicaragua by spring 1987.

DEC. 12. Nicaraguan authorities arrest US citizen Sam Nesley Hall, brother of Representative Tony P. Hall (D-Ohio), on suspicion of spying, on Punta Huete air base north of Managua.

DEC. 15. Trinidad and Tobago opposition National Alliance for Reconstruction party, led by Arthur Robinson, wins 33 of 36 seats in House of Representative elections, ending 30 years of People's National Movement rule; Prime Minister George Chambers also loses his seat.

DEC. 29. About 3,000 US army troops begin 4-month "Big Pine '87" joint military exercise with Honduran troops in Honduras.

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South America

JAN. 7–11. Thousands of angry coca farmers in the Chapare region of Bolivia besiege a camp of 245 narcotics officials to protest government crackdown on coca production.

JAN. 13–14. In worst rioting in Argentina in 2 years of democratic rule, demonstrators stage violent protests against visiting US banker David Rockefeller.

FEB. 6. Argentine President Raúl Alfonsín and Economy Minister Juan Sourrouille announce second phase of Austral Plan, emphasizing privatization of steel and petrochemical industries and increasing export incentives.

FEB. 7. Peruvian President Alan García Pérez declares state of emergency in response to series of terrorist bombings in Lima, Callao.

FEB. 26. Venezuela signs $21.2-billion debt refinancing agreement with foreign bank creditors after 3 years of negotiations.

FEB. 28. Brazilian President José Sarney announces sweeping anti-inflation economic program, the Cruzado Plan.

MAR. 7. Equadorian armed forces chief of staff Gen. Frank Vargas Pazzos takes over air force base in Manta, Manabi province, after Defense Minister Gen. Luis Piñeiros rejects Vargas' contention that army commander Gen. Manuel Albuja misused national defense funds; ends his revolt 3/11 when Pineiros, Albuja submit their resignations, but is put under house arrest; Vargas, freed by sympathetic soldiers, takes over Quito air force base 3/13, charging that government broke its word by subjecting him to house arrest; 2,000 troops storm Quito air base and capture Vargas 3/14.

MAR. 9. In national congressional elections in Colombia, opposition Liberal Party, led by Virgilio Barco Vargas, wins 49% of the vote, compared with 38% for ruling Conservative Party.

MAR. 12. US representative at UN Human Rights Commission submits draft resolution criticizing Chile for human rights abuses, the first time US has taken the lead in criticing the human rights record of the government of Augusto Pinochet Ugarte; resolution passed 3/14.

MAR. 13. Alvaro Fayad, leader and founder of the Colombian April 19 (M-19) guerrilla group, is slain by police in Bogotá.

MAY 16. Argentinian armed forces' Supreme Military Council sentences 3 military junta members who led Argentina into 1982 Falkland Islands war with Britain for negligence in losing the war: former president Gen. Leopoldo Galtieri sentenced to 12 years, former navy chief Adm. Jorge Anaya given 14, former air force chief Brig. Gen. Basilio Lami Dozo given 8.

MAY 25. Virgilio Barco, candidate of the opposition Liberal Party, defeats ruling Conservative Party candidate Alvaro Gómez Hurtado in Colombian presidential elections 58% to 38%; succeeds Belisario Betancur 8/7.

JUNE 1. Ecuador's President León Febres Cordero suffers major setback in national legislative elections when his Social Christian Party wins only 17 of 59 contested seats and a coalition of leftist opposition parties takes 43; in a referendum, Cordero also loses bid for constitutional reform that would allow independent candidates to run for office.

JUNE 18–19. Shining Path inmates at 3 Peruvian prisons, El Frontón, Lurigancho and Santa Barbara, stage simultaneous mutinies; revolts at El Frontón, Lurigancho are brutally put down by Republican Guard; investigation ordered 6/21; President García announces 6/27 that at least 100 of the 268 slain prisoners were executed after mutiny had been put down; Republican Guard chief Gen. Máximo Andrés Martínez is dismissed, Justice Minister Luis Gonzalez Posada resigns 6/30.

JUNE 29. Argentina wins soccer World Cup tournament in Mexico City, defeating West Germany, 3–2.

JULY 2–3. Opponents to Chilean President Gen. Augusto Pinochet, led by National Civil Assembly, stage 2-day general work strike; 6 people are killed in violence; Rodrigo Rojas de Negri, a US resident and son of Chilean political exile, and university student Carmen Quinlana Arancibia, are reportedly doused with flammable liquids and set afire by uniformed men with painted faces 7/2; Rojas dies 7/6; approximately 2,000, including US Ambassador Harry G. Barnes, Jr., take part in 7/9 funeral procession for Rojas, which police break up with tear gas and water cannons; Senator Jesse Helms, in Chile, criticizes Barnes' attendance at Rojas

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funeral, saying he had "planted the American flag in the midst of a communist activity" 7/13; US government affirms support for Barnes 7/14.

JULY 14. US government sends 6 Black Hawk helicopters and 170 US Army pilots, officers and support personnel to Bolivia, to help authorities in 60-day "Operation Blast Furnace" action against cocaine processors in Beni region; Bolivian interior minister announces 9/10 that US troops will remain for at least another month; last US troops depart 11/15.

JULY 29. Brazilian President Sarney, Argentinian President Alfonsín sign package of economic cooperation accords, the General Agreement on Integration and Development; accords to take effect 1/1/87.

AUG. 15. IMF declares Peru ineligible for further IMF loans because it had paid only $35 million of $193.4 million in arrears due on 8/15.

AUG. 21–22. Bolivian Workers Central, the nation's largest labor organization, calls general strike to protest US Operation Blast Furnace and austerity measures of the government of President Víctor Paz Estenssoro; government announces plan 8/26 for reorganizing Bolivian mining industry that would eliminate up to 8,000 mining jobs; government imposes state of siege 8/28 to curb worker unrest; miners stage another one-day strike 8/29.

AUG. 29. Argentine Finance Minister Sourrouille announces new phase of anti-inflation program, including further devaluation of the austral against US dollar, ceilings on price increases and wage hikes.

SEPT. 5. Brazil's creditor banks complete agreement on restructuring $31 billion of the country's $105-billion foreign debt.

SEPT. 7. In an assassination attempt, Chilean President Pinochet suffers only an injured hand but 5 military escorts are killed when his motorcade is ambushed southeast of Santiago; government 9/7 declares state of siege, shuts down 6 opposition magazines 9/8; José Carrasco Tapia, editor of opposition magazine *Analisis*, is abducted from his Santiago home by armed men 9/7; found slain along with 2 other men 9/9.

SEPT. 10. President Sarney meets with Reagan in White House; Reagan praises Brazil's return to democracy but warns it must open its domestic markets to foreign competition.

OCT. 29. Britain announces it will expand its fishing zone around Falkland Islands from 3 miles to 150; Argentina denounces British move, announces 10/30 it is canceling plans to dismiss military conscripts.

NOV. 9. In nationwide municipal elections the American Popular Revolutionary Alliance of President García scores a solid victory, retains mayoralties in Lima and most of Peru's other 1,882 municipalities.

NOV. 15. Congressional and gubernatorial elections are held in Brazil; centrist Brazilian Democratic Movement Party gains solid majority in new congress; ruling coalition, of which the BDMP is the senior partner, wins all but one of 23 governorships.

NOV. 20. World Bank approves $250-million structural adjustment loan to Chile despite protests from human rights groups and some members of Congress; US abstains in the decision.

NOV. 21. Brazil announces adjustments in anti-inflation program, dubbed Cruzado II, that ease price controls, increase taxes on luxury items; thousands of students and workers, protesting price rises, clash with police in Brasília 11/27; labor organizations call one-day general strike to protest price hikes 12/12; government asserts that only 10% of the country's workers took part in the stoppage.

DEC. 2. Former Buenos Aires police chief Gen. Ramon Camps and 4 others convicted and sentenced 18–25 years for human rights abuses during the "dirty war" of the 1970s; despite public protests, Argentine Congress passes legislation 12/22–12/23 that would put an end to "dirty war" military prosecutions after a 60-day period.

DEC. 17. Prominent Colombian editor Guillermo Cano is shot dead in Bogotá after his newspaper, *El Espectador*, publishes reports accusing drug traffickers of harming the country; government issues decree 12/18 making it easier for military to crack down on drug traffickers; 5 people believed linked to the slaying are killed in a police shoot-out 12/18.

DEC. 22. Uruguayan President Julio Sanguinetti signs into law bill extending

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amnesty to soldiers accused of human rights violations during the military rule of 1973–85 after the House of Deputies approves the measure 60–37.

AFRICA

JAN. 1. South Africa imposes limited sanctions on neighboring Lesotho, claiming to be acting in response to a buildup of African National Congress activities there; Prime Minister Leabua Jonathan overthrown 1/20 in bloodless coup led by Gen. Justin Lekhanya; new government begins to expel ANC rebels, South Africa lifts blockade 1/25; King Moshoeshoe II swears in Lekhanya as chairman of new 14-member council of ministers 1/27.

— Approximately 20,000 non-white miners at the Impala Platinum Holdings Ltd. in Bophuthatswana begin 5-day strike; General Mining Union Corp., owner of Impala mines, fires striking miners 1/6.

JAN. 1–2. Up to 20 blacks are killed in violence between Ndebele, Pedi northeast of Pretoria; fighting begins when Ndebele try to move into Moutse district in accordance with official edict that Moutse, inhabited by Pedi, become part of KwaNdebele homeland.

JAN. 5–26. South African Bishop Desmond Tutu makes 13-city tour of US; meets with Vice President George Bush in Atlanta 1/20.

JAN. 6. Gen. Samuel K. Doe sworn in as Liberia's elected president; Doe orders 18 journalists, politicians freed from detention.

JAN. 12. US Assistant Secretary of State for African Affairs Chester Crocker visits 2 black townships east of Johannesburg, breaking with previous practice of only meeting with white government officials; just before a scheduled meeting with Crocker, black United Democratic Front (UDF) activist Ampie Mayisa is stabbed to death, apparently by rivals in Chief Mangosuthu Buthelezi's Inkatha movement.

JAN. 21. Two white South African policemen are slain by blacks in Bekkersdal, southwest of Johannesburg, first white policemen to be killed in racial violence in 17 months; 7 blacks are shot dead, 40 wounded, by police 1/22.

JAN. 23. At least 30 blacks are slain in fighting between Zulus, Xhosa-speaking Pondos south of Durban.

JAN. 26. Ugandan rebel group National Resistance Army overthrows 6-month-old government of Maj.-Gen. Tito Okello; Yoweri Mouseveni is sworn in as president 1/29; new government reports 3/9 it has defeated last major pocket of resistance in northern city of Gulu.

JAN. 28. Heeding a call from the Soweto Parents' Crisis Committee, thousands of black South African students return to school after a boycott of several years.

JAN. 28-FEB. 8. Jonas Savimbi, leader of the National Union for the Total Independence of Angola (UNITA), visits US; meets with Reagan 1/30 in White House, who pledges to be "helpful" but gives no specific assurances of aid; House Select Committee on Intelligence sends a letter to Reagan asking him not to approve covert aid to Angolan rebels, it is reported 2/7; Chester Crocker informs Senate Foreign Relations Committee 2/18 that the Administration had decided to provide UNITA with $15 million in covert military aid.

JAN. 31. In speech to opening session of South Africa parliament, President P. W. Botha promises to end system of racial pass laws, suggests that imprisoned ANC leader Nelson Mandela might be freed on humanitarian grounds if the USSR releases dissidents Andrei Sakharov and Anatoly Shcharansky, and announces plans for a "national statutory council" in which black South Africans would play an advisory role; blacks dismiss proposals, US State Department regards them as "important"; authorities say 2/11 they will not release Mandela because the freeing of Soviet dissident Anatoly B. Shcharansky did not meet the terms for a possible prisoner swap previously set by Botha.

FEB. 10. Libyan-backed Chadian rebels launch attacks south of the so-called Red Line at the 16th parallel; government forces 2/15 appear to have repulsed attacks; French air force jets bomb rebel airfield at Wadi Doum in northern Chad 2/16; 200 French air force commandos arrive in Ndjamena to protect airport there; airport bombed 2/17 by Soviet-built jet thought to be Libyan; French Defense Minister Paul Quilès announces that France will deploy a squadron of planes and a "deterrent force" of about 500 servicemen to Chad.

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FEB. 11. Nigeria, Britain restore full diplomatic ties, suspended for over a year and a half following failed Nigerian attempt to kidnap former government official Umaru Dikko in London.

FEB. 15–21. At least 23 blacks are killed in violence in black township of Alexandria; Bishop Tutu intercedes between police and angry crowd of 20,000 blacks, urging blacks to disperse to avoid bloodshed 2/18; P. W. Botha refuses 2/20 to meet with antigovernment church delegation including Tutu to discuss latest violence; crowd of 40,000 jeers Tutu at 2/21 mass rally when he reports that meetings with government officials had produced no concessions.

FEB. 20. South African officials reach tentative agreement with foreign bankers in London on compromise arrangement for maintaining, renewing existing loans and reducing South Africa's frozen $14-billion foreign debt.

MAR. 3. South African police kill 7 ANC guerrillas in ambush in black township of Guguletu, near Cape Town.

MAR. 5. Over 25,000 people, including envoys from 7 Western nations, attend mass funeral for 17 blacks slain in recent violence in Alexandria.

MAR. 7. South African government lifts the partial state of emergency that had been in effect since 7/21/85, releases 327 from prisons who are said to be the last of nearly 8,000 people detained under state of emergency laws.

MAR. 12. Members of the British Commonwealth's Eminent Persons Group meet in Pollsmoor prison near Cape Town with Nelson Mandela; following meeting, EPG members tell P. W. Botha that Mandela is "a man of peace."

MAR. 27. Thirty blacks are slain in one day of violence in South Africa centered around black township outside of Port Elizabeth and a huge squatter settlement in Bophuthatswana.

APR. 1–12. First multiparty parliamentary elections in 18 years are held in Sudan; 4/20 results give Umma Party plurality of 99 seats, Democratic Unionist Party 63 seats, National Islamic Front 51; assembly holds first session 4/26; Umma, DUP form ruling coalition 5/4; military transitional leader Gen. Abd al-Rahman Siwar al-Dhahab and civilian Prime Minister al-Gazouli Dafallah resign and Umma leader Sadiq al-Mahdi becomes prime minister 5/6.

APR. 15. In wake of US bombing of Libya, an American communications specialist at US embassy in Khartoum, Sudan, is shot in the head by an unknown assailant while driving his car; US, fearing more violence, orders evacuation of 200 dependents of American embassy personnel 4/16.

APR. 18. President Botha announces that pass laws will be rescinded and standard identity card will be issued to all races; government white paper is released and legislation introduced 4/23 that puts into motion some reforms announced by Botha; UDF denounces reform package; US Administration praises reforms as a "major milestone on the road away from apartheid."

MAY 1. About 1.5 million black South African workers stage May Day walkout, the largest strike in South Africa's history; Inkatha movement announces formation of United Workers of South Africa.

MAY 19. South African military forces attack alleged ANC strongholds in and near capitals of Zimbabwe, Botswana and Zambia; 3 persons reported dead; Reagan Administration condemns attacks; Commonwealth's Eminent Persons Group abruptly ends discussions in South Africa, returns to London.

MAY 23. Reagan Administration orders the expulsion of South Africa's senior military attaché in Washington in response to 5/19 attacks on Zimbabwe, Botswana and Zambia, recalls US military attaché in South Africa for consultations; South African authorities "expel" already-recalled US attaché 5/24.

MAY 25. Twenty million runners in 78 countries take part in Sport Aid's "Race Against Time," a set of simultaneous 10-kilometer runs organized to raise money for African victims of hunger and drought.

MAY 27-JUNE 1. UN General Assembly holds special session on African economic crisis; 159 member-nation participants 6/1 adopt 5-year plan in which Western nations recognize OAU estimates of aid, debt relief needs but are not required to pledge specific levels of financial assistance.

JUNE 2. Board of Directors of BankAmerica Corp. decides to end all lending to borrowers in South Africa until apartheid is dismantled; decision makes Bank of America the largest institution to declare a halt to such loans.

JUNE 12. Eminent Persons Group chairmen Malcolm Fraser and Gen. Olusegun

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Obasanjo, citing Pretoria's intransigence, issue final report calling for Western nations to impose strict economic sanctions against the South African government.

— South African government declares nationwide state of emergency, providing all security forces with sweeping powers of arrest, search, interrogation and detention; decree also prohibits media from photographing, filming or recording any disturbances unless authorized by police, as well as publishing any "subversive" statements; more than 1,000 people are detained.

JUNE 13. Bishop Tutu meets for the first time in 6 years with P. W. Botha in Cape Town; meeting ends with no apparent progress.

JUNE 16. On tenth anniversary of Soweto uprising, millions of black workers stage one-day job walkout; government imposes even stricter press restrictions, including the banning of live television, radio news broadcasts by foreign journalists.

JUNE 18. US House approves legislation requiring complete disinvestment by US individuals and companies of all their South African holdings, allowing only the import of items deemed to be of strategic importance to the US by the President.

JUNE 20. South African President's Council approves 2 additional security measures that allow authorities to detain opponents for 6 months without trial and to declare "unrest areas" in which police have almost unlimited freedom of action.

JUNE 26–27. At European Community summit in The Hague, British Prime Minister Margaret Thatcher and West German Chancellor Helmut Kohl reject strict sanctions against South African government; EC leaders agree to dispatch British Foreign Secretary Sir Geoffrey Howe to southern Africa to convince Pretoria to begin direct talks with black leaders.

JULY 4. Insulted by anti-American remarks of Zimbabwean Youth, Sport and Culture Minister David Karimanzira during Fourth of July party in Harare, former President Jimmy Carter walks out, demands apology; US announces 7/9 it will suspend $13.5 million in aid until it receives apology; US halts all new economic aid to Zimbabwe 9/2; Carter 9/11 says that the aid cut-off is a mistake.

JULY 5. Five black South African municipal officials are shot dead by 3 guerrillas in 2 black townships south of Johannesburg; police kill 2 of the gunmen, the other escapes.

JULY 7. South African government formally lifts long-standing restrictions on Winnie Mandela, wife of Nelson Mandela.

JULY 13. South African government announces new student regulations, including automatic dismissal of students failing to show up for first day of the new term; thousands of students boycott classes on first day of new term, 7/14.

JULY 14. White House announces that black North Carolina businessman Robert J. Brown is leading candidate to replace Herman W. Nickel as US ambassador to South Africa; Brown formally withdraws candidacy 7/21 following criticism of his business activities.

JULY 18. University of California Board of Regents votes to begin divestiture of $3.1 billion in investments in South Africa; decision more than quadruples amount of divestment among all US higher education institutions.

JULY 22. In major policy address delivered from the White House, Reagan calls for a "timetable" for the elimination of apartheid in South Africa and release of Nelson Mandela but reaffirms strong opposition to strict economic sanctions; congressional reaction largely negative, with leaders saying they will go ahead and legislate sanctions.

JULY 23–29. Sir Geoffrey Howe, representing the Economic Community, fails to make progress in peace mission South Africa, Zambia, Botswana, Swaziland and Lesotho; ANC representatives refuse to meet him in Zambia 7/24; meets with President Botha 7/23, 7/29, who rejects appeals to unban the ANC and free Nelson Mandela.

JULY 24. Commonwealth Games open in Edinburgh, Scotland, with 31 of 58 nations withdrawing their athletes from the competition to protest Britain's position on economic sanctions against South Africa.

AUG. 2–5. Seven British Commonwealth heads of state meet in London to discuss economic sanctions against South Africa; all except Britain agree to adopt sanctions proposed in the 1985 Commonwealth Nassau Accord, along with 7 other steps; South African Foreign Minister Roelof F. Botha 8/5 says government will impose economic countermeasures against its African neighbors, including import licenses and stricter border controls.

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AUG. 15. US Senate, 84–14, approves legislation imposing economic sanctions against South Africa; bill is less stringent than House measure passed in June.

AUG. 16. Sudan Airways plane with 60 passengers is destroyed by Sudanese rebels using SAM-7 antiaircraft missiles; International Committee of the Red Cross says 8/18 it is halting emergency food airlifts to the besieged town of Wau due to the Sudan Airways downing and increasing warfare in the south; international relief airlifts resume 10/12.

AUG. 21. Over 1,700 people die from a cloud of toxic gas rising from a volcanic lake, Lake Nios, in northwest Cameroon.

AUG. 23. Heads of the 6 Frontline States, following a meeting in Luanda, Angola, issue statement that praises Zambia and Zimbabwe for imposing sanctions against South Africa but fails to offer to join them in the effort.

AUG. 25. California State Senate, 27–11, passes legislation requiring the state's university and pension funds to sell over $11 billion in holdings in companies doing business in South Africa; bill would generate the largest divestment effort in the nation; State Assembly, 50–26, approves bill 8/27; California Governor George Deukmejian signs bill into law 9/26.

AUG. 26–27. South African security forces kill 20 blacks and an angry crowd in Soweto kills one black township councillor in the worst bloodshed in the township since 1976, touched off when white authorities try to break a rent strike organized by black tenants.

SEPT. 1–7. Nonaligned Movement holds eighth summit in Harare, Zimbabwe; Zimbabwean Prime Minister Robert Mugabe takes over NAM chairmanship from Indian Prime Minister Rajiv Gandhi and delivers keynote speech 9/1; conference approves 3 major declarations, one on economic issues, one on political issues, and a special declaration on southern Africa.

SEPT. 3. Desmond Tutu formally enthroned as archbishop of Cape Town and thus head of the Anglican Church in southern Africa, in a private ceremony in Cape Town; 9/7 public enthronement ceremony attended by 8,000 in Cape Town.

SEPT. 4. Reagan orders one-year extension of a set of limited economic sanctions against South Africa, asserts that additional measures would be considered after talks with allies.

SEPT. 9. During trip to South Africa, American civil rights figure Coretta Scott King, reportedly under pressure from black anti-apartheid leaders, cancels meetings with P. W. Botha and Inkatha leader Mangosuthu Gatsha Buthelezi; meets with Rev. Allan Boesak, head of the World Alliance of Reformed Churches 9/10; meets with Winnie Mandela 9/11.

SEPT. 12. US House, 308–77, passes sanctions bill identical to August Senate version; Reagan vetoes bill 9/26; House, 313–83, overrides veto 9/29; Senate, 78–21, overrides veto 10/2, and bill automatically becomes law; law bans new US investment in South African businesses, prohibits importation of several products including steel and coal, cancels US landing rights for South African Airways, requires an investigation into the influence of the South African Communist Party on the ANC.

SEPT. 16. EC foreign ministers, meeting in Brussels, agree to new limited economic sanctions against South Africa that are considerably weaker than US sanctions.

— Kinross gold mine fire in Transvaal kills 177 miners, making it the worst gold mine disaster in South African history.

SEPT. 20. In unprecedented meetings, exiled ANC leader Oliver Tambo confers separately with Chester Crocker and Sir Geoffrey Howe in London.

SEPT. 23. Coup attempt fails in Togo when about 50 armed dissidents from Ghana attack the barracks of President Gnassingbé Eyadéma in Lomé; 8 rebels, 6 civilians are killed.

SEPT. 30. Reagan nominates black career diplomat Edward J. Perkins as US ambassador to South Africa; Perkins confirmed by Senate 10/15; sworn in 11/3.

OCT. 6. Blast near South African-Mozambique border wounds 6 white South African soldiers; South Africa blames Mozambique-based ANC guerrillas.

OCT. 8. South African government announces plans to force 60,000 Mozambican mineworkers to leave South Africa when their current contracts expire.

OCT. 19. Mozambican President Samora M. Machel, 33 others die in plane crash in South Africa near Mozambican border that leaves 10 survivors; opponents to

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Pretoria suspect South African complicity; Foreign Minister Joaquím Alberto Chissano is named president by the Central Committee of the Mozambique Liberation Front 11/3; Chissano is sworn in 11/6.

OCT. 20. General Motors Corp., the largest US company in South Africa, says it will sell its South African operations to a group of local investors because of economic losses, growing political unrest; IBM announces 10/21 it will withdraw from South Africa.

OCT. 22–23. Thirteen black South African miners are killed in violence at Anglo American Corp.'s Vaal Reefs mine southwest of Johannesburg during a contested boycott of a residence-hotel tavern; 20 more are killed, 71 wounded in fighting in 2 workers' hostels 12/5–12/7.

OCT. 23. Former self-proclaimed emperor of the Central African Republic, Jean-Bedel Bokassa, returns from exile in France; Bokassa, who had received a death sentence in absentia in 1980, is arrested upon arrival.

OCT. 25. In Geneva, International Movement of the Red Cross votes 159–25 with 8 formal abstentions to oust South African delegation from the organization because of its policy of apartheid.

NOV. 14. South African military authorities report that its forces have attacked a South-West Africa People's Organization base in southeastern Angola and that 39 insurgents were killed.

NOV. 24. Barclay's Bank of Britain announces that it will sell all of its South Africa holdings to the Anglo American Corp., marking the largest British disinvestment in South Africa to date.

NOV. 28. Black and white moderate political leaders of Natal end 8 months of meetings with proposal to establish a regional parliament based on universal sufferage and to merge the white-run Natal province with the KwaZulu homeland; white South African authorities reject plan 11/30.

DEC. 11. Pretoria tightens emergency rule, strengthening bans on political protest and imposing a near-total censorship on foreign and South African journalists.

DEC. 18. US State Department announces that Reagan has authorized $15 million in military aid be sent to Chadian army fighting Libyan forces; thousands of Libyan troops in northern Chad commence major offensive against Chadian anti-Libyan resistance forces 12/20; first US supplies arrive in Ndjamena 12/22.

DEC. 23. Voters in Somalia reelect President Mohammed Siad Barre to a new 7-year term in uncontested elections.

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